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Duma Deputy Favors Return of Crimea

954F2531A Moscow RIZ in Russian 5 Jun 95

[Press release issued at press conference of Viktor Grigoryevich Vishnyakov, deputy chairman of the Committee on Legislation and Judicial-Legal Reform, chairman of the Subcommittee on Constitutional Legislation of the State Duma, held on 11 May 1995 in Moscow]

[FBIS Translated Text]

PRESS RELEASE

Press conference held by VIKTOR GRIGORYAVICH VISHNYAKOV, deputy chairman of the Committee on Legislation and Judicial-Legal Reform, chairman of the Subcommittee on Constitutional Legislation of the State Duma, Russian Federation Federal Assembly.

11 May 1995, 1800 hours State Duma Minor Hall City of Moscow

The press conference was devoted to an analysis of the situation surrounding the problem of the legal status of Crimea, the city of Sevastopol and the Black Sea fleet.

1. On the Russian federal status of Crimea:

The situation surrounding the Republic of Crimea is ever more approaching a dead end.

In January 1991, an all-Crimea referendum was held, at which 93 percent of the population of Crimea spoke out in favor of "restoration of the Crimean ASSR [Autonomous Soviet Socialist Republic] as a subject of the Federation of the USSR." In February of 1991, the Supreme Soviet of Ukraine ratified the Law on Restoration of the Crimean ASSR Within the Complement of the UkSSR, thereby distorting the results of the referendum.

In September of 1991, the Supreme Soviet of the Crimean ASSR adopted the Declaration on State Sovereignty of Crimea, in which Crimea is declared to be a participant in the Union Agreement. On the basis of the Declaration of Sovereignty, in February of 1992 the Supreme Soviet of the Crimean ASSR ratified the new name of the republic—the Republic of Crimea.

In April of 1992, the Supreme Soviet of Ukraine adopted the Law on Delineation of Powers and Authorities Between Ukraine and the Republic of Crimea, which secures the status of the Republic of Crimea as a complement part of Ukraine. The Republic Movement of Crimea collected 247,000 signatures in favor of holding a referendum on the independence of Crimea (according to the Law on Referendum of the Republic of Crimea, 180,000 signatures were needed).

In May of 1992, the Supreme Soviet of the Republic of Crimea adopted the Statute on Proclaiming State Independence of the Republic, and ratified and implemented the Constitution of the Republic of Crimea. The Supreme Soviet of Ukraine adopted a resolution instructing the Supreme Soviet of the Republic of Crimea to repeal the Statute on Proclamation of State Independence of the Republic and the statute on holding an all-Crimea referendum, as they contradicted the Constitution of Ukraine.

The "war of laws" continued even further. In November of 1994, the Supreme Soviet of Ukraine repealed en masse over a hundred legal statutes adopted by the Supreme Soviet of the Republic of Crimea on the grounds that they supposedly contradicted the Constitution and the laws of Ukraine. As a result, the struggle surrounding the legal status of Crimea became even more exacerbated.

In this struggle, the Ukrainian authorities are taking an ever harsher position. On 14 April 1995, the Supreme Soviet of Ukraine sent an appeal to the State Duma of the Russian Federation, stating that the questions concerning Crimea are "exclusively the internal affair" of Ukraine. The appeal concluded that the decisions of the State Duma regarding Crimea, and even the very invitation to Moscow of the Chairman of the Supreme Soviet of the Republic of Crimea to address the State Duma, contradict the generally accepted international-legal standards and principles.

By what means are we to emerge from the dead end into which the Crimean problem has been placed by Russian politicians, whose actions are dictated not by the state interests of Russia, but by immediate, personal and ambitious motives?

Historically, Crimea never belonged to Ukraine. Such a state did not even exist until 1918. Prior to 1783, Crimea was a khanate dependant on Turkey. When the Khan Girey voluntarily went under the sceptre of Catherine II, she issued the manifest of 8 January 1783, in accordance with which Crimea was annexed to Russia as of February 1784 as part of Tavrich Oblast.

We know that the fate of Crimea was determined in 1954 by the self-willed decision of N. S. Khruschev. The question of the transfer of Crimea was prepared and decided in surroundings of strictest secrecy. On 1 February 1954, a secret note was sent in response to N. S. Kruschev's statement, and was signed by Suslov and Pegov. It spoke of the procedure of conducting the session of the USSR Supreme Soviet Presidium on reviewing the "joint presentation" of the RSFSR Supreme Soviet Presidium and the UkSSR Supreme Soviet Presidium on handing over Crimea Oblast from

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the complement of the RSFSR to the complement of the Ukrainian SSR. Provision was made for everything: The date of convocation of the meeting (19 February 1954), the complement of those invited, who would call the meeting to order, who would be given the floor for speeches, and which of the members of the USSR Supreme Soviet Presidium would speak with "approval and support" of the party leader's initiative.

At that time, there was no "separation of powers," and the "matter" moved along at a rapid pace. Already on 5 February 1954, the RSFSR Supreme Soviet Presidium, at a closed session, adopted the resolution, "On the Order of Transfer of Crimea Oblast From the Complement of the RSFSR to the Complement of the Ukrainian SSR." It contained a point on introducing a resolution for ratification by the USSR Supreme Soviet Presidium. On 13 February 1954, the chairman of the Ukrainian SSR Supreme Soviet Presidium, D. Korotchenko, in turn asked the USSR Supreme Soviet Presidium to hand over Crimea Oblast from the complement of the RSFSR to the complement of the Ukrainian SSR.

On 19 February 1954, the USSR Supreme Soviet Presidium ratified the "joint presentation" of the two presidiums of republic supreme soviets. The "joint presentation" was not published. Moreover, it was not found in the state archives. The question thus arises, did it ever exist?

On 26 April 1954, the USSR Supreme Soviet ratified the USSR Supreme Soviet Presidium Edict of 19 February 1954 and resolved to retroactively introduce the appropriate amendments to Articles 22 and 23 of the USSR Constitution. After that, the RSFSR Supreme Soviet, by its Law of 2 June 1954, also retroactively, introduced amendments to the RSFSR Constitution, excluding Crimea Oblast from the complement of the RSFSR.

In the process of all these actions, "along the way," fundamental principles secured in Articles 15 and 18 of the USSR Constitution were violated. According to these articles, the USSR was called upon to protect the sovereign rights of the union republics, and primarily their right to territorial integrity. Article 18 directly stated that the territory of a union republic could not be changed without its consent.

The decision of the USSR Supreme Soviet Presidium directly violated the sovereign rights of the RSFSR, since the "consent" for change in the complement of the RSFSR was given not by the RSFSR Supreme Soviet, but by the RSFSR Supreme Soviet Presidium.

Also violated were Articles 6, 13, 14, 16, 19, 23 and 33 of the RSFSR Constitution. Article 6 of the RSFSR Constitution, for example, stated that the land, its mineral resources, water, forests, factories, plants and other objects of state property are all-people's property. We might ask, why then were these objects, which are located on the territory of Crimea Oblast, "handed over" to Ukraine on an unlawful basis—by decree of the USSR Supreme Soviet Presidium?

While Article 14 listed the oblasts and krays of which the RSFSR consists, at the same time Article 16 emphasized that "the territory of the RSFSR cannot be altered without the consent of the RSFSR." According to Articles 19 and 23 of the Constitution, the question of the territorial make-up of the RSFSR is under the exclusive administration of the RSFSR Supreme Soviet.

All these violations of the principles of the constitutional order of the USSR and RSFSR received proper legal evaluation, but already in an entirely different historical situation. On 21 May 1992, the Russian Federation Supreme Soviet adopted the decree, "On a Legal Assessment of the Decisions of Supreme Organs of State Power of the RSFSR on Change of the Status of Crimea, Adopted in 1954." In it, the RSFSR Supreme Soviet Presidium Decree of 5 February 1954 was recognized as not having any legal validity from the moment of its adoption "by reason of violation of the RSFSR Constitution and legislative procedure."

However, the decree of 21 May 1992 contained a certain inconsistency. It noted that, in connection with the conclusion of a bilateral treaty between Ukraine and Russia on 19 November 1990, in which the parties rejected territorial claims, the regulation of the question of Crimea must proceed by means of inter-state negotiations between Russia and Ukraine with the participation of Crimea, and on the basis of the expression of will of its population.

But if the decree of 5 February 1954 was deemed not to have any legal force, then why at the same time proclaim Russia's refusal of territorial claims to Ukraine? Once again, as countless times before, political concessions and compromises achieved at the expense of rejection of adherence to constitutional principles have given rise to a new round of contradictions surrounding the Crimean problem.

The positions of the jurists sharply deteriorated, as they were now forced to prove that the legal appraisal of the decisions of the RSFSR organs of state power given by decree of the Supreme Soviet of the Russian Federation on 21 May 1992 retains its force.

Naturally, the question may also be resolved by means of inter-state negotiations of Russia and Ukraine with

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participation of Crimea and on the basis of the expression of will of its population, but under one condition: Strict adherence to the legal principles proclaimed by the Constitutions of the USSR and RSFSR. Specifically, the Treaty of 19 November 1990 spoke of the respect of the territorial integrity of the RSFSR and the UkSSR "within the currently existing boundaries within the framework of the USSR" (Article 6). In connection with the fact that the USSR still existed in 1990, the question arises: Why, in violation of the USSR Constitution, did the union republics independently resolve questions of recognizing boundaries between them, sanctioned their change, etc.?

Based on the fact that drastic changes had occurred in the legal situation surrounding Crimea since 1954, it is necessary to place the concept of "newly discovered circumstances" at the basis of this evaluation. Who could foresee in 1954 the disintegration of the Union, the division of unified state power, unified territories, property, citizenship, laws? Even in the most delirious dream, one could not foresee the coming to power in Ukraine by extreme nationalists, who implemented a hostile policy in regard to Russia and who refuted the very idea of negotiations on handing over Crimea to the make-up of Russia?

There are at least two possible variants in case the Supreme Soviet of Ukraine continues in a unilateral order, from a position of force, to repeal the laws and other legal statutes adopted by the Supreme Soviet of the Republic of Crimea which it does not like. Based on the situation which has arisen in Crimea, such actions will continue to be evaluated by the citizens of Crimea as being unlawful, forceful, directed at the Ukrainization of the population of Crimea, as an infringement upon the rights and freedoms of the Russian population which comprises the majority in the Republic of Crimea, for which 83 percent of Crimeans voted on 20 January 1991.

The first variant is the introduction of the Crimean problem for discussion by the heads of state of the Commonwealth of Independent States.

The second variant is an appeal to the International Court in the Hague.

Crimea, in strict accordance with the law, has been and remains Russian. And the recognition of this immutable legal fact will remove unnecessary tension in relations between Ukraine and Russia.

2. On the Russian federal status of the city of Sevastopol:

By its Decree of 9 July 1993, "On the Status of the City of Sevastopol," the Supreme Soviet of the Russian Federation confirmed the Russian federal status of the city of Sevastopol within the administrative-territorial boundaries of the city okrug as of December 1991. The Russian Federation Supreme Soviet Committee on Constitutional Legislation was assigned the task of preparing a Russian Federation draft law on securing the federal status of the city of Sevastopol in the Constitution of the Russian Federation.

However, almost 2 years have passed, and the problem of the status of the city of Sevastopol is becoming ever more acute. The Ukrainian side is rather skillfully implementing the principle of "divide and conquer," under which the legislative and executive branches in the city of Sevastopol are not interacting as they should, on the basis of various "checks and balances," but are being used as a devilish mechanism in the hands of the authorities, located in Kiev, for setting against one another and mutually weakening the organs of power and administration in Crimea.

Indicative in this connection is the Edict of the President of the Republic of Crimea dated 9 September 1994, "On Organization of State Administration in the Republic of Crimea." Annoyed by the endless efforts of the Kiev authorities to bribe the corps of deputies, President of the Republic of Crimea Yu. Meshkov is taking rather decisive actions. In connection with the "encroachment of the Supreme Soviet of Crimea on the extent of lawful powers and authorities," states the edict, "and the serious consequences stemming from this, associated with the loss of manageability, the activity of the Supreme Soviet of Crimea, and the rayon and city Soviets of People's Deputies is hereby suspended." Their powers and authorities are handed over to the President of the Republic of Crimea and the heads of local administrations. The prosecutor's office, in conjunction with the security service and the MVD [Ministry of Internal Affairs] of Crimea, are instructed to verify the facts of "merging" of part of the deputy corps with the criminal structures.

At the same time, the Ukrainian authorities are presenting a "legal basis" for justifying their actions.

In this case, the Ukrainian authorities are more often using "legal" arguments:

1. The city of Sevastopol is an integral part of Ukraine, and therefore its status may be determined only by Ukraine.

The city of Sevastopol was founded in 1784, and from that moment sovereignty over it was exercised by the Russian Empire. Administration of the city was performed by a military general-governor, who by his duties was the commander of the Black Sea fleet. The

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city of Sevastopol was a specific administrative okrug, managed by the military-naval administration, which was appointed directly in St. Petersburg.

The legal principle of the Russian federal status of the city of Sevastopol is based, as we know, on the decree of the RSFSR Supreme Soviet Presidium dated 29 October 1948 on isolating the city of Sevastopol from the make-up of Crimea Oblast into an independent administrative-economic center with its own specific budget, and relegating it to the category of cities of republic subordination.

The city of Sevastopol remains to the present time a part of the Russian Federation. The decree of 1948 was not repealed by anyone. The application of Ukraine's jurisdiction over the city of Sevastopol in 1977 was adopted in unilateral order, without adoption of the appropriate decision by the constitutional organs of power of the RSFSR.

Since the formation of the independent states of Russia and Ukraine within the scope of the CIS, the Russian legal status of the city of Sevastopol did not undergo any changes.

2. The city of Sevastopol is a city of Ukrainian republic subordination.

The decree of the USSR Council of Ministers dated 25 October 1948, "On Measures for Accelerating the Restoration of Sevastopol," signed by I. Stalin, stated: "The city of Sevastopol shall be specified among the number of cities of republic subordination." At that time, republic subordination clearly and synonymously meant the subordination of the city of Sevastopol to the RSFSR Council of Ministers, and certainly not to the Ukrainian SSR Council of Ministers. It was specifically under the RSFSR Council of Ministers that this same decree established a special administration for restoration of the city of Sevastopol.

It follows from the RSFSR Supreme Soviet Presidium Decree of 29 October 1948, relegating Sevastopol to the category of cities of republic subordination, that Sevastopol was removed from the jurisdiction of Crimea Oblast, which at that time was part of the RSFSR.

However, relegation of Sevastopol to the category of cities of republic subordination was not specified in the RSFSR Constitution in 1948. The RSFSR Constitution did not contain any list of cities of republic subordination.

The RSFSR Supreme Soviet Presidium Decree of 5 February 1954, "On Transferring Crimea Oblast From the Complement of the RSFSR to the Complement of the UkSSR" and the USSR Supreme Soviet Presidium Edict of 19 February on this question also contained no mention of Sevastopol.

The edict of 29 October 1948, in the subsequent time after its adoption, was neither amended nor repealed. Legally, it retains its significance to the present time, and the Russian Federation as the legal successor of the territorial rights of the RSFSR even today exercises its sovereignty in regard to the city of Sevastopol.

Therefore, all unilateral statutes of Ukraine on declaring the city of Sevastopol to be under Ukrainian jurisdiction cannot be recognized as legal.

State sovereignty over Sevastopol, in accordance with the standards of international law, was never handed over to anyone. International law demands, and this is confirmed by the practice of the International Court, that any transfer of state sovereignty to a territory be formulated in the form of an international treaty. The Vienna Convention on the right of agreements defines a treaty as an international agreement concluded between states in written form and regulated by international law. The edict of the RSFSR Supreme Soviet Presidium or the decree of the USSR Supreme Soviet Presidium are not international treaties. These are domestic documents, proscribing certain actions to the administrative organs of the USSR or RSFSR.

3. The edict of 29 October 1948 speaks not about administrative-territorial, but about the administrative-economic status of the city of Sevastopol.

First of all, in the above-mentioned edict the discussion is not about the administrative-economic status, but about the administrative-economic center, which is relegated to the category of cities of republic subordination. Sevastopol represents a specific administrative-economic center primarily because the decisive rights in its administration belonged to the military administration.

The special regimen of administration of the city was defined by its special purpose—to be a military-naval base for the Black Sea fleet.

A special legal regimen was established for the city which concerned, specifically, the residence and activity of its residents, the procedure for entry and exit, the financing and supply of the city, and other questions. The position of the city of Sevastopol as a military-naval base of union subordination stemmed from its importance for organization of defense and provision of the country's state security.

Even after its legal formulation as a city of republic subordination, the special-purpose direction of the city continued to play a decisive role as a city of union

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subordination. According to the USSR Constitution of 1936, all military affairs were relegated to the competency of the USSR, with the appropriate subordination to the Narkomat [People's Commissariat] of Defense in the city of Moscow.

4. Since 1954, the city of Sevastopol has been financed from the budget of Ukraine, and not the Russian Federation. These unfounded statements of Ukrainian nationalists have no basis in fact.

The financing of the city of Sevastopol in the period of 1954-1958 was performed from the union budget. Aside from special-purpose financing, at the end of the program for restoration of the city of Sevastopol in 1954 the USSR Council of Ministers adopted the decree of 26 July 1954, No 1508, "On Measures for Continued Development of the Agriculture, Cities and Resorts of Crimea Oblast." Within the scope of this decree, at the expense of funds from the union budget, in which the relative share of Russia comprised 85-88 percent, an extensive list of raw materials, equipment, transport, and monetary funds, including currency, were allocated specially for the development of the city of Sevastopol and Crimea Oblast for the period from 1955 to 1958. As of 1958, and through 1990, the special-purpose capital investments also continued to be made from the union budget. They were directed toward creation and development of the resort network, communications, transport means (including pipelines), improvement of power supply and development of culture.

Practically until 1991, not only financial, but also organizational functions, including also the passport regimen on the territory of the city of Sevastopol, were implemented under the direct management of the USSR Council of Ministers, without the participation of the Ukrainian SSR Council of Ministers.

The most complex legal collisions arise in connection with the signing of the Treaty of 19 November 1990 between Russia and Ukraine, according to Article 6 of which the parties recognize and respect the territorial integrity of the RSFSR and the Ukrainian SSR in the "boundaries currently existing within the scope of the USSR."

Russia is the legal successor of the USSR in regard to the right to use the port at the military-naval base of Sevastopol. This does not mean the submission of any territorial claims to Ukraine. The discussion here is not about claims to territory related to Ukraine within the scope of the administrative-territorial boundaries existing in the USSR, but about the rights to the territory located within the limits of the administrative-territorial boundaries of Russia in the period of existence of the USSR. And the fact that the Treaty of 19 November 1990, in which the "High Agreeing Parties" (represented by the Presidents of Russia and Ukraine) recognize each other as sovereign states and confirm the existing boundaries within the scope of the former Union, signifies that Ukraine, by Article 6 of this treaty, has confirmed that Sevastopol by its status remains a city of the Russian Federation.

We will note that, in seeking out various legal hitches, the Ukrainian side is assiduously evading the main point.

Thus, the Declaration of State Sovereignty, adopted by the Supreme Soviet of the Ukrainian SSR on 16 July 1990, in proclaiming the state sovereignty of Ukraine, does not say a word about the USSR, about the USSR Constitution as the main legal basis for interrelations of the Union with the union republics, and the initial legal base for determining the competency of the union republics. Thus, the declaration states that the resolution of questions of "all-union property (common property of all republics)" is performed on the basis of agreement between the republics which are subjects of this property. However, the USSR Constitution did not contain any concepts of "all-union" property, or "common property of the union republics." There was a singular state (all-people's) property, and the union republics did not have the right of ownership to it.

Transformation of all-people's property into common property of all republics was needed by the authors of the declaration in order to justify the anti-constitutional actions of Ukraine in seizing the all-people's property located on the territory of Ukraine.

The State Duma of the Federal Assembly of the Russian Federation must, in the nearest time, confirm once again the Russian federal status of the city of Sevastopol; decisively declare that the encroachment by Ukraine on part of the Russian territory contradicts the Constitution of the Russian Federation and all other legal statutes, including also the Treaty of 1990, and confirm the jurisdiction of Russia over the city of Sevastopol as the main base of the Russian Black Sea Fleet.

For the purpose of accelerating the stabilization of the situation surrounding the status of the city of Sevastopol and the Black Sea fleet and retaining good neighborly relations with Ukraine, the State Duma of the Russian Federation must instruct the Government of the Russian Federation to take all possible measures to conclude negotiations with Ukraine on the status of the city of Sevastopol and the Black Sea fleet no later than July of 1995 (UP TO THEIR STRICT TIE-IN WITH FULFILLMENT OF ALL OTHER AGREEMENTS).

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***Importance of Russian Interests in 'Near Abroad' Stressed**

954Q0185A Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian Apr 95 No 4, (signed to press 7 Mar 95) pp 47-56

[Article by Candidate of Economic Sciences Sergey Vsevolodovich Kolchin, head of a sector at the Institute of International Economic and Political Research of the Russian Academy of Sciences: "Russia—Near Abroad: Mutual Relations, Interests, and Policy Goals"]

[FBIS Translated Text] With the disintegration of the USSR in the early 1990's a fundamentally new geopolitical reality emerged in the post-Soviet space: Fifteen new independent states appeared. The rise of virtually all, with the exception of Baltic countries (relations with Baltic states are not examined within the framework of this article), and of the successor of the former Union—Russia—was due to the collapse of the USSR, not to the natural logic of their national state development.

The following are grounds for such a conclusion:

—the absence in a number of countries of historical traditions of independent development within the framework of national state formations. In recent history the experience in such a development is limited to several post-revolutionary years and not even in all of them;

—the lack of development of a political system (government institutions, political parties, and so forth). The state system, borders, and internal territorial division, basically, were inherited from former USSR republics, which, essentially, served as decorative formations within the framework of a single Union;

—the extremely high degree of integration of their economies into a single national economic complex and dependence on Russia. In the USSR in 1988 interrepublic trade made up 21 percent of the gross national product (in the European Community, 14 percent). Whereas Russia under conditions of isolation from other republics can ensure two-thirds of the production of the final product, for example, Azerbaijan, 31 percent, Kazakhstan, 27 percent, and Ukraine, 15 percent.

—the lack of development of indispensable institutions and functions of an independent state (army, foreign trade, personnel training, and so forth) and utilization, instead of them, of the Russian potential.

Furthermore, the specific features of the present situation in the new states lies in the fact that representatives of the old national ruling elite, which was formed during the period of USSR existence, are in power in most of them. The brief stay of representatives of nationalist opposition movements in power (Z. Gamsakhurdia in Georgia and A. Elchibey in Azerbaijan) and the rapid collapse of their regimes only confirm this tendency. In reality, out of the present top leaders of the new independent states only Kirghizia's President A. Akayev does not belong to the former nomenklatura, but he also experiences a strong pressure on its part. A. Lukashenko, Belorussia's first president, is also a new figure.

Whereas in these states the internal political situation has not changed greatly, marked shifts have occurred in the positions of the largest member of the commonwealth—Russia. For it the disintegration of the Union and the rise of new independent states signify a new and, more often, unfavorable combination of political, economic, social, and other factors.

On the geopolitical plane Russia has encountered the appearance on its borders of a whole group of states, which are quite unstable and conduct by no means always a pro-Russian policy. Thirteen ports on the Black Sea and five in the Baltic Sea have been lost. Russia is removed from Western Europe over a wide area by a double cordon of countries of the former Warsaw Treaty and former neighbors in the USSR.

In the military-political area the entire security system must be revised fundamentally. Facilities for early detection of enemy missiles remain in Latvia and Azerbaijan. Troop withdrawal from Eastern Europe was followed by a departure from Baltic states. Now the Moscow Military District has become a border district and the question of establishing in the western direction a new military district with headquarters in Smolensk is being raised.

In the sphere of the economy Russia, as before, is forced to carry the burden connected with the maintenance of the economy of its neighbors. On 1 June 1994 the total debts of countries in the near abroad to Russia amounted to 3,241 billion rubles, of which Ukraine accounts for 54 percent, Belorussia, 17 percent, and Kazakhstan, 15 percent. While mechanisms of former internal Union economic relations have been dismantled, new ones (of interstate relations) operate poorly.

In the social sphere the problem of Russians, who now live abroad, in the new independent states, has arisen acutely. According to the 1989 census data, almost 25.3 million Russians and more than 11 million people of other nationalities, who considered the Russian language their native tongue, lived outside the RSFSR.

There are also a number of other factors determining the need for Russia's special attention to states in the near abroad and for an active formation of its policy with respect to these countries.

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Changes in Policy

Evaluating the change in the priorities of Russia's foreign policy, it can be stated that a shift in the center of gravity of this policy to states in the near abroad appeared in 1993-1994. In the official line and political debates more and more attention is paid to Russian interests in the space directly adjoining the country's borders.

In our opinion, the basic reasons for such a turn are the following:

1. Russia has begun to realize the change in its status in the geopolitical disposition of forces. "According to the state of socioeconomic development," the scientific report of the Center for Foreign Political Research of the Institute of International Economic and Political Research of the Russian Academy of Sciences notes, "Russia cannot be classified among the superpowers and at the present moment it does not need this status, which is beyond its power. It now copes with great difficulty even in the role of a great power, because it does not have the political, economic, and military resources necessary for this. Russia is not in a position to conduct a global foreign policy similar to that conducted by the former Soviet Union and to bear responsibility for global international security."[1]

A more realistic approach predominates in the country's foreign policy now. This is primarily an orientation toward problems directly affecting the situation in Russia, to which, undoubtedly, relations with neighbors in the post-Soviet space belong.

2. The course of events has confirmed that the "civilized divorce" with the former Union republics has not removed from the agenda the need for the development of an integral strategy for Russia's relations with them and for a daily and close attention to the situation in these countries. It affects the situation in Russia too severely. Furthermore, relations between Russia and these countries are more profound and vast than ordinary interstate relations. Russia remains the center of attraction in the post-Soviet space and not always in the positive sense. As, for example, RF Prime Minister V. Chernomyrdin notes, "Russia's territory seemingly has become a vacuum cleaner, which absorbs everything that is bad: the drug business and arms smuggling—things that, previously, we never heard about."[2]

3. Matters concerning relations with neighbors and the protection of Russian interests and rights of compatriots in the new independent states have become a trump card played by various opposition powers and forces in Russia itself. Having overlooked these matters at one time, the official leadership (the president, the government, and the Ministry of Foreign Affairs) is forced to make up for the lag, restoring the image of defenders of Russian interests. The population's natural dissatisfaction with the crisis situation in the country is channeled by the opposition into a criticism of the "antipopular" and "treacherous" policy of the authorities.

The concept of "Russia's national or special interests," the zone of which the near abroad is called, has appeared and has become firmly established in the official political vocabulary. This term itself was borrowed from the Americans, who used it widely, including in the well-known "Monroe Doctrine." During USSR times officials did not use the concept of "national interests," because Marxist dogmas affirmed the principle of internationalism and the primacy of class interests. During the later Gorbachev period the theme of "return to general human values" was put in the forefront of Soviet policy. Now the time has come for Russia to become aware of and to protect its national state interests.

In February 1993 Russia's President B. Yeltsin put forward the proposal that the United Nations and other international organizations give Russia a mandate for the performance of activity in the sphere of its interests—in the territory of the former USSR. It was a matter of the conduct of peace-making operations, rendering of humanitarian assistance in zones of conflicts, protection of ethnic Russians, and political settlement through Russian mediation. Russia's military doctrine published in November 1993 stresses that the geopolitical space of the former USSR (with the exception of Baltic countries) is the zone of Russia's vital interests and special responsibility. The program speech by RF minister of foreign affairs A. Kozyrev at a conference of Russia's ambassadors to CIS and Baltic countries in January 1994 noted the following: "This is a region where Russia's vital top-priority interests are concentrated. The main threats to these interests also come from there."[3]

Finally, the February (1994) message by the RF President "On Strengthening the Russian State" openly points out that a "consistent advancement of national interests through openness and cooperation and ensuring favorable conditions for internal development and the continuation of reforms are the main goals of the policy of the Russian State in 1994." It points out that the CIS is the "sphere of special responsibility and special mutual interests of Russia and its neighbors."[4] Let us pay attention to the fact that the president talks about "mutual interests," softening the sharpness of the statement by the minister of foreign affairs.

Attempts at theoretically substantiating Russia's special role and responsibility in the post-Soviet space have

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been made. Such a substantiation of the distinctive "Russian Monroe Doctrine" is presented in an especially clear manner in articles and speeches by A. Migranyan, member of the RF Presidential Council.[5] At the same time, whereas the matter of the content and nature of Russian national interests in relations with CIS countries is debated, the very fact of the existence of such interests is essentially not called in question. The authors of the cited report note the following: "States of the so-called 'near abroad' represent a priority zone for safeguarding Russia's national security and, therefore, an all-around development of cooperation with them, a study of the sociopolitical and economic processes occurring in them, and an effect on them, with due regard for Russia's interests, represent the most important task of Russian foreign policy."[6]

On the whole, Russia's vital interests in the near abroad can be reduced to three fundamental concepts: security, stability, and cooperation. The main goals of Russian foreign policy with regard to the new independent states are also determined on the basis of this. In the most concentrated form these goals are indicated in the basic provisions of the concept of Russia's foreign policy approved by the RF Security Council in April 1993. The organization of stable positive mutual relations with countries of the near abroad was declared the main content of Russia's foreign policy and the prerequisite for its preservation as a great world power. The actions aimed at undermining integration processes in the CIS were included among the main political threats and challenges to Russia's security. The realization of the rights and interests of national minorities—representatives of RF nations in countries of the former USSR—was considered one of Russia's vitally important interests.[7]

Reaction in the West

Russia's efforts to reach these goals in relations with CIS states encountered quite a contradictory reaction in the West. On the whole, a negative, guarded attitude toward Russia's role in the post-Soviet space predominates there. In the most concentrated form this was expressed by Z. Brzezinski, former U.S. secretary of state [sic].[8] There were also many other similar comments on the part of officials and experts. For example, A. Juppe, France's minister of foreign affairs, stressed that "little by little Russians are beginning to lay their hands on everything in the entire territory of the former Union." In an interview with the newspaper CROIX he noted the following: "It is possible to understand that Russia is interested in what is happening around it and that, undoubtedly, it must play a special role in what today is called the CIS. However, it does not at all follow from this that it can do this as it wishes. Russia is not destined to play the role of a gendarme in all azimuths."

In the opinion of the newspaper SEGODNYA, "Russia's policy with respect to the 'near abroad' has recently evoked concern on the part of Western countries, including Germany. Recognizing the legitimacy of Russian interests in the CIS, the West is trying to prevent the 'reimperialization' of Moscow's foreign policy."[9] True, other signals are also received from the West. I will mention the well-known statement by President Clinton that the United States would not object to the unification of former USSR republics provided there is voluntary participation and a free expression of the people's will. In our opinion, the West's apprehensions regarding "Russia's imperial aspirations" do not correspond to the real state of affairs.

Having taken the course of restraining Russia in the post-Soviet space, the West should have in mind a number of basic factors. The post-Soviet space is a special kind of space and such unconventional criteria or cliches as "empire" are hardly applicable to it. Russian national outlying districts nearly always lived better than the "metropolitan country," receiving dividends from the exploitation of Russian resources.

Russia continues to carry the heavy burden of assistance to neighbors in economic and military areas. The West's opposition can lead to the fact that it will have to assume this burden. Furthermore, the regimes in the present CIS republics cannot be called regimes conducting a more democratic and market-based policy than Russia. Russia's displacement from the post-Soviet space will create a vacuum, which countries in no way belonging to Western democracies (for example, Iran and China) will be able to fill quickly.

Thus, if the preservation of stability in the region and support for positive transformations, not the suppression of the former enemy and competitor, are the real goals of the West's policy with regard to Russia and its neighbors from the CIS, this policy should rather promote, not counteract, Russia's efforts in its attempts to somehow cement the disintegrating post-Soviet space.

Policy Priorities

Whereas Russia's geopolitical interests and the goals of its policy in the near abroad have been defined, each of the spheres of state activity (military, social, economic, and so forth) has its own specific nature requiring a more detailed examination. Defense and security, humanitarian (ethnosocial) interests and the protection of citizens' rights, and the economy and interstate economic relations are the basic groups of interests and policy directions.

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Defense and security. Despite the fact that with the end of the cold war the general international climate around Russia has improved and the danger of large-scale armed conflicts has declined, with the disintegration of the Warsaw Treaty Organization and then of the USSR the status of the security and defense of the Russian state arouses serious apprehensions. NATO continues to exist and even Russia's entry into partnership relations with the bloc does not signify complete harmony of the parties' military interests. In particular, the scenarios of probable conflicts developed in NATO headquarters attest to this.

One of them is presented in the newspaper VEK: "An authoritarian government, which immediately begins to intimidate small republics of the former USSR under the pretext of observance of the rights of Russians scattered over all CIS states, comes to power in Russia. Thus, Moscow with the support of Minsk demands that Baltic states grant autonomy to Russians. During 1 1/2 to 2 months tension increases steadily. Then 18 Russian divisions with the support of 6 Belorussian ones will strike a blow along the Polish-Lithuanian border. Lithuania will turn to NATO for help, which at first will deploy "quick reaction forces" and then 18 divisions and 66 tactical air squadrons in Poland. In 90 days Western countries will gain the upper hand."[10] Such is the scenario No 7 from the report by the U.S. secretary of defense.

The disintegration of the USSR also signified the breakup of the entire defense system created over decades. Its disorganization and the loss of key infrastructure facilities signify a marked weakening of Russia's military security. Furthermore, the burden of peace-making operations in the CIS is placed on its armed forces. Under these conditions it is possible to understand Russia's intensified activity regarding the preservation of its military presence in CIS countries, formation of a collective security system, and border protection. These measures also correspond to a significant degree to the interests of the security of these countries, because their national armies are at the stage of formation, experience an acute shortage of skilled personnel, and demand the diversion of financial resources for their maintenance. However, the withdrawal of Russian troops and the transfer of arms to national formations in the unstable situation can only aggravate internal armed conflicts.

At the same time, the establishment or preservation of Russian military bases must not contradict the norms of international law and be carried out with the consent of states. The practice of direct or indirect pressure on countries not interested in Russian bases in their territory must be eliminated. The interests of CIS countries in this matter are different. This is exemplified by the Transcaucasus, where in Armenia and Georgia Russian presence receives the support of the republic leadership and in Azerbaijan, does not. At the same time, Russia is disturbed by the prospects for the appearance of troops of third countries there (for example, the statement by Turkey's minister of defense on readiness to send troops to Azerbaijan indicates such a possibility).

According to press data, the presence of 28 Russian military bases in the new independent states is anticipated.[11] In the course of the visit by RF Defense Minister Grachev agreements were reached on this point with Armenia and Georgia. The military grouping of Russian troops in Armenia will be strengthened significantly. The presence of Russian military bases will make it possible to preserve in CIS countries military contingents from former military districts and groups of troops quartered there and to save arms and weapons reserves and the troop support infrastructure. Along with the activity of Russian military instructors, this will promote the formation of national armies in CIS countries.

The problem of safeguarding security in the territory of the former Union is not confined to Russia's military presence. A joint protection of commonwealth borders is an important task. After the disintegration of the USSR Russia received more than 11,000 km of new land borders, while border troops lost up to 40 percent of the military potential, equipped stationing locations, and the necessary infrastructure. Judging by the latest reports, CIS states reached an agreement in the matter of the joint protection of former borders without the introduction of a standard border regime in Russia's new frontiers. The question of the Russian-Azerbaijani border remains open for now (in practice, the border between Azerbaijan and Iran is open and is not protected by Russian border guards).

The adoption of the concept of collective security can solve the entire set of problems connected with safeguarding the interests of CIS states in the sphere of defense and security. The meeting of CIS ministers of defense in July 1994 resulted in the preparation by its participants of the text of the concept for subsequent initialing and examination at the meeting of heads of states. The establishment of regional subsystems was envisaged: East-European (Belorussia, Kaliningrad Oblast, and western RF oblasts) with a tentative center in Minsk, Caucasian (Transcaucasian republics and the North Caucasian Region of the RF) with a center in Rostov, Central Asian with a center in Tashkent, and East Asian (Siberia, the Far East of the RF, and eastern oblasts of Kazakhstan). Participation in regional subsystems of states, which did not sign the

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1992 Tashkent Treaty on Collective Security of CIS Countries, that is, Ukraine, Moldavia, and Turkmenia, is anticipated.[12]

Humanitarian interests and protection of citizens' rights. The situation of ethnic Russians living in former USSR republics has become one of the most acute problems of Russia's mutual relations with these republics. After the dismemberment of the formerly common Russian ethnic space a large number of Russians in the near abroad have turned into second-class citizens, or into stateless persons. Displacement of Russians from former Soviet republics is taking place. In Russia itself the "Russian problem" has become a factor in the internal political struggle.[13]

The acuteness of this problem cannot fail to worry the Russian leadership. The above-mentioned presidential message stresses especially: "Russians' interests in CIS and Baltic countries will be safeguarded only if internationally recognized standards in the area of human and national minority rights are observed throughout the space of the former USSR."[14]

At the same time, negative tendencies in the outflow of ethnic Russians from the new independent states predominate for now. In Russia by now there are more than 2 million refugees, forced resettlers, and so-called "economic migrants." Experts at the Center for Economic Conditions and Forecasting under the RF Government estimate the minimum influx of those seeking refuge in our country in 1994-1996 at 800,000 people and the maximum, at 4 to 6 million.[15]

Naturally, such an influx is a heavy burden on the Russian economy and complicates the social situation at places of the most active influx of migrants. Russia is preparing a program for the protection of the interests and support of ethnic Russians living outside the RF. According to the latest reports, the program is ready and an edict on putting it into effect is expected.

In the opinion of the RF Federal Migration Service, negative tendencies in the interrepublic migration within the framework of the CIS are connected with the general socioeconomic crisis, with the lack of legal protection for persons of nonindigenous nationality, with the incompletion of the process of state "demarcation" of countries of the near abroad and the weak integration activity in them, with the continuation of the political struggle, in which the "national card" is played actively and the stereotype of enemies as represented by the nonindigenous population, which provokes its immigration, is formed persistently, and with the enhancement of the role of religion in the life of society, which is accompanied by the emergence of interconfessional conflicts.

To this we will add direct armed conflicts in the CIS. More than 500,000 forced resettlers (141,000 from Tajikistan, 86,000 from Georgia, and 82,000 from Azerbaijan) arrived in Russia by the middle of 1994.

In Russia's relations with CIS countries in the area of the population's interstate migration the following basic groups of countries are singled out:

1. Azerbaijan, Tajikistan, Georgia, and Moldavia, where military operations are conducted and the outflow of speakers of the Russian-language is especially intensive.

2. Kazakhstan and Uzbekistan, where the outflow is going on, despite official statements on the lack of the problem.

3. Kirghizia and Turkmenistan, where migration is growing mainly as the consequence of the deteriorating economic conditions of life of the Russian population and, in part, owing to domestic nationalism and the lack of knowledge of the language. There is readiness on the part of a number of countries to sign an agreement on dual citizenship (it has already been signed with Turkmenia).

4. Belorussia, Ukraine, and Armenia, where there are no signs of a discriminatory policy with respect to Russians and the outflow occurs for purely economic reasons.

Under these conditions among ethnic Russians in the CIS the following alternatives of behavior are possible: an attempt at assimilation, despite the sharp decline in the social status; expectation of Russia's support (legal, cultural, social, and so forth); return to the historical homeland or emigration; fight for a reunification with Russia.

Obviously, all four alternatives will be combined in practice and precisely such a sensible combination corresponds to Russia's interests. Every relatively taken alternative is associated with negative consequences.

Economy and interstate cooperation. In accordance with the basic gradation of advocates of the economic course into "etatists" and "followers of the market" evaluations of the tasks of and prospects for Russia's mutual relations with countries of the near abroad also differ. The former focus attention on losses and damages from the rupture of previous economic relations, concluding from this the inevitability of reintegration. They usually cite figures and arguments to the effect that, according to the data of the intersectorial balance, Russia imported products of 102 sectors and exported products of 104 sectors, that it met 23 percent of the needs for machine-building products and one-third of the needs for metallurgical products through import from other Union republics, that the main raw-material base of Russia's

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nonferrous metallurgy remained in the territory of other CIS countries, and so forth.

Hence the conclusion that "current tasks and strategic interests of the Russian state urgently demand the pursuance of the course of stabilization of the political and economic situation in the near abroad and an all-around interaction with commonwealth states, primarily for the establishment of a firm economic union. Moreover, taking into consideration the need for the safeguarding of the country's security near its own borders, for an enhancement of prestige in the world community, and for a confident development of the economy, this course seems to us to be without an alternative."[16]

Their opponents draw attention to the heavy burden of the economic patronage with respect to CIS republics for Russia. The figure of the hidden subsidization of these republics in 1992—17 billion dollars—is well known. Furthermore, they point to the different direction of the courses of economic reforms in CIS countries and Russia, the existing inefficiency of management in neighbors, and nonequivalent conditions of the interstate exchange. As the report of the institute headed by Ye. Gaydar notes, the "close economic integration among the former Union republics will be directed in large measure toward an exchange of goods not competitive on the world market, reviving the autarkic type of national economies similar to the national economy of the former USSR."[17]

Unfortunately, in both cases only one aspect of the problem of economic interaction within the framework of the CIS is singled out, although quite correctly. On this basis, in accordance with the authors' ideological biases, conclusions are drawn on the correspondence or noncorrespondence of the integration with neighbors to Russia's economic interests. There is no overall unbiased analysis or computation of specific economic effects, including indirect consequences. After all, even activities in the post-Soviet space not belonging directly to the sphere of economic interests have consequences for Russia's economy. For example, the conclusions and recommendations of the State Duma based on the results of parliamentary hearings "On the Rise of the CIS and Its Present State and Development" (July 1994) note that the establishment of new borders will cost Russia 1 billion rubles per km and in the number of the customs personnel (35,000 people) it has already outstripped the United States twice.[18]

Present interests and opportunities in the sphere of the economy and strategic interests and objectives should be differentiated. For example, the treaty on the economic union with Belorussia sharply criticized by pragmatists, which portends appreciable losses for Russia at the present moment, from the point of view of strategic objectives is capable of significantly improving its situation (outlet to western borders, access to sales markets, stability on Russia's western frontiers, and so forth).

Owing to the novelty of the situation itself, that is, the transition from intrastate to interstate relations and ties, the country's leadership, as well as researchers and analysts, has not yet become fully aware of the specific nature of Russia's economic interests in the near abroad. However, some urgent tasks in this area can be noted.

First of all, there is a need for effective—not decorative and declarative—and systematically formed models and mechanisms of economic interaction with CIS countries and an efficient legal basis for such an interaction. Without this the very observance of Russia's national economic interests is unrealistic. The losses of the Russian treasury alone from nonregistered export-import operations carried out through transparent borders with CIS countries amount to billions of dollars.

It is also necessary to decide what industries and commodity markets in neighboring countries are of real interest to Russia and to take specific measures to support and develop them. General talks about a common market and the restoration of economic ties should be transferred to the plane of specific, economically substantiated decisions.

Russia cannot be interested in the existence of an economic calamity zone as represented by the former Union republics. Therefore, definite assistance for them is unavoidable in the very near future. However, Russia, itself being in the most serious economic crisis, should be most attentive to the efficiency of this assistance and seek maximum opportunities for a reciprocal satisfaction of its economic and social needs.

Specific Nature of Russian Interests and Policy

Russia-Ukraine. Ukraine—the largest of the republics of the former Union—undoubtedly, is the most important for the situation in the post-Soviet space. At one time it was the one that initiated the disintegration process in the USSR. Within the framework of the CIS a special position on most questions is characteristic of it and Russian-Ukrainian relations, perhaps, have been the most complex in the set of relations with CIS countries. Not long ago Russian experts noted the following: "Kiev's present policy is directed toward the creation in the CIS and Eastern Europe of a counterweight to Russia's influence for the purpose of its geopolitical isolation."[19]

Problems of nuclear weapons, the Black Sea Fleet, and Crimea are the most acute problems in bilateral rela-

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tions. The first two belong to the sphere of defense and security and seriously complicate the general climate in the CIS. In the opinion of many experts, the problem of the Black Sea Fleet also had not so much a military as a political slant.

The Crimean question is the object of a headache for both powers. Objectively, it is difficult to consider Crimea an age-long Ukrainian territory—it became a part of it only in 1954. Russia's support of Crimean separatism also posed the threat of an aggravation of similar processes in its territory and of a danger of a military conflict with Ukraine. Presidential elections in Ukraine, on the whole, have softened the acuteness of Russian-Ukrainian contradictions. The new leadership triumvirate (Kuchma-Moroz-Mosol) often declared its aspiration to restore normal relations with Russia, although to interpret L. Kuchma's victory as the success of the pro-Moscow lobby was a simplification. The new president in his policy is forced to take the entire range of political forces in the country into consideration.

Fortunately, in interethnic relations serious contradictions between Ukraine and Russia have not been observed. It is paradoxical, but regions with a large share of the Russian population, which supported L. Kuchma, by no means are the zone of Russian economic interests. The Donets Coal Basin and East and South Ukraine are saturated with noncompetitive industries and are a zone of potential unemployment. Therefore, Russia is in no way interested in Ukraine's disintegration and in including these economic crisis regions in its budget.

The specific nature of Russia's and Ukraine's economic interests also lies in the fact that oil and gas pipelines to the West pass through the territory of the latter, of which it has often taken advantage. Ukrainian ports on the Black Sea, through which large export and import flows went, are also of considerable interest to Russia. Recently, Ukraine's role as a source of cheap manpower for Russian enterprises has intensified. Undoubtedly, it is still early to talk about a fundamental change in the climate in Russian-Ukrainian relations, but the prospects for their development are more favorable now than under L. Kravchuk.

Russia-Belorussia. Under conditions of acute Russian-Ukrainian contradictions Belorussia played the role of a distinctive counterweight to Ukraine. Here the traditions of the union with Russia are quite strong and stable, nationalist forces do not enjoy wide support (Z. Pozdnyak, leader of the Popular Front, picked up only 13 percent of the votes during presidential elections), and 58 percent of the Belorussians unequivocally come out in favor of an economic union with Russia. After the victory during presidential elections of L. Kuchma in Ukraine and of A. Lukashenko in Belorussia the previous aspects of its significance for Russia can weaken somewhat. In any case, however, Belorussia can hardly be viewed in economic terms as a superfluous load for Russia. Objective interests in strengthening relations remain and specific prospects depend on the coordinated actions of both sides to strengthen economic interaction. It should be noted that even after the change in the leadership Belorussia outstrips other republics in the sphere of establishment of bilateral economic relations with Russia.

Russia-Transcaucasus. The main principle of Russia's policy in the Caucasus was formulated as far back as tsarist times: "Russia in the Caucasus has no eternal friends or eternal enemies, it only has eternal interests." A. Kozyrev, Russia's minister of foreign affairs, confirmed this old principle to a certain extent in an interview with the journal STERN: "We cannot leave this region so simply. We have historical and geopolitical interests here."

Security is the main sphere of Russian interests in the Caucasus. The military conflicts occurring in the territory of all the three republics make the situation in the region extremely explosive. A tangle of inveterate problems has emerged here. A flow of refugees, of weapons, and of criminal danger constantly goes from this region to Russia.

On the economic plane Russia shows interest in the problem of export of Azerbaijani oil abroad, striving to retain its control. Armenia occupies a special place. A number of recently signed agreements (on diamond processing and so forth) attests to good prospects for the joining of Russian raw-material resources and Armenia's skilled manpower.

Russia-Central Asia. The Central Asian region, which is quite dissimilar in a number of parameters, is of special interest to Russia, first of all, from the standpoint of security. This problem is connected primarily with Tajikistan, where there is a great probability of a repetition of the Afghan version. In case of Russia's withdrawal the country's disintegration, transfer of Islamic fundamentalism to the territory of neighboring republics, and a sharp change in the balance of power not in Russia's favor are quite possible here.

The problem of displacement of ethnic Russians from the former Central Asian republics and Kazakhstan is no less serious. Even in such a relatively calm republic as Kazakhstan the outflow of the population into Russia amounted to 200,000 people in 1993. Russia, which is now going not through the best of times, is vitally interested in stopping this negative process.

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On the economic plane attention is paid to the problem of export of energy resources from Kazakhstan and Uzbekistan, which is strategically important to Russia. As E. Pain, member of the RF Presidential Council notes, "attempts by Russia's quite influential political and economic groups to counteract the plans for the transportation of Kazakh and Azerbaijani oil through Turkey and the conclusion by Kazakhstan and Azerbaijan of agreements with Western companies on the development of oil fields were a factor in the artificial restriction on the independence of a number of CIS states and in the pressure on them for the purpose of coercion to reintegration."[20] The goal of "coercion to reintegration" mentioned in the quotation raises doubts, but Russia's economic interests in this sphere exist.

During the period following the disintegration of the USSR the special role of the near abroad for Russia's state interests and its direct effect on the situation in the country were determined objectively. Despite the recognition of this fact, the official political line of Russia's leadership is at the stage of formation, is quite unstable, and is subject to momentary changes. The need for demonstrative actions under the effect of the current internal political and foreign political situation, not of Russia's real strategic interests, has a profound effect on the political course of the Russian leadership.

The solution of the Chechen problem by force introduces new elements into Russia's relations with neighboring republics. On the one hand, it causes natural concern for the aggressive actions of the Russian leadership. Ukraine's ex-president L. Kravchuk predicts an intensification of sovereignty and imperial ambitions in Russia's policy in the near abroad. On the other hand, the position of official authorities in CIS countries on the Chechen problem is very cautious. Similar foci of regional and national separatism exist in many of them. (The Dniester region in Moldavia, Abkhazia in Georgia, Crimea in Ukraine, northern oblasts in Kazakhstan, and so forth). Russia's actions in Chechnya intensify the temptation to adopt similar measures in order to suppress these foci and in any event create an additional precedent for a solution by force of internal state problems in the post-Soviet space.

At the same time, the Chechen crisis, obviously, has also illuminated the inefficiency and hopelessness of such military solutions. The lack of public support for them, huge costs for the economy, which is weak as it is, and unprofessional actions by power structures should serve as a warning both for the enthusiasts of the dissemination of the "Russian experience" in CIS countries and for Russia itself in its policy in the near abroad. One would like to hope that these lessons will serve the cause of transition from political demarches and rash decisions to laborious and very necessary work on the organization of an economic interaction and normalization of the social situation in the territory of the former Soviet Union.

Footnotes

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2. SNG: OBSHCHIY RYNOK, No 1, 94.

3. ROSSIYSKAYA GAZETA, 19 Jan 94.

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5. NEZAVISIMAYA GAZETA, 12, 18 Jan 94.

6. *Natsionalno-gosudarstvennyye interesy Rossii i yeye vneshnyaya politika*, p 5.

7. A. Zagorskiy, "Concept of the 'Near Abroad' in Russian Foreign Policy: Sources, Goals, Tools, and Problems." Report at the German-Russian forum, Bonn, Jun 94, p 8.

8. Z. Brzezinski, "Premature Partnership" (NEZAVISIMAYA GAZETA, 20 May 94).

9. SEGODNYA, 24 Jun 94.

10. VEK, No 24, 1994.

11. IZVESTIYA, 8 Apr 94.

12. NEZAVISIMAYA GAZETA, 6 Jul 94.

13. P. Kandel, "CIS: Two and a Half Years Later." Report for the "Big Europe" Commission, Moscow, 1994, p 7.

14. ROSSIYSKAYA GAZETA, 25 Feb 94.

15. REFORMA, No 5, 1994, p 8.

16. "Problems in the Reintegration and Formation of the Economic Union of CIS Countries." Report under the guidance of academician O. Bogomolov and S. Sitaryan, Moscow, 1994, p 17.

17. "Russian Economy in 1993, Tendencies and Prospects." Report of the Institute of Economic Problems of the Transitional Period, Moscow, 1994, p 160.

18. NEZAVISIMAYA GAZETA, 13 Jul 94.

19. *Natsionalno-gosudarstvennyye interesy Rossii i Yeye Vneshnyaya Politika*, p 9.

20. Quotation from SEGODNYA, 22 Jul 94.

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***Caution Advised on Unification Moves with Belarus**

954F2566A Moscow KOMMERSANT in Russian 6 Jun 95 No 21, p 11

[Article by Maksim Sokolov: "No Border Gate and No Parliament"]

[FBIS Translated Text] The last weekend in May enriched the political-economic situation in Belorussia [Belarus] with two important innovations. On 27 May, after the symbolic removal of the border gate and its replacement with a birch tree planted by Chernomyrdin and Lukashenko, the Russian-Belorussian [Belarusian] border columns were removed, and on 28 May, after the second round of parliamentary elections, the RB [Republic of Belarus] was without a parliament as well: the term of the old one had run out but a new one failed to be elected.

The symbolic ceremony to remove the border gate was accompanied by no less symbolic statements of the two presidents. President of the RB Lukashenko summed up and said: "The road is now open. Those who impede traffic will be put in the appropriate places," alluding to the idea that during integration he is prepared to plant more than just birches [Russian verb also means "imprison"]. Ukrainian president Kuchma, commenting from afar on the birch-border gate procedure, noted sardonically: "The posts can be broken. The important thing is not to break the wood [make a lot of mistakes.]"

Despite how appropriate that desire is, its practical realization may not prove to be so simple—that became obvious the very next day when reports from the voting precincts showed that the elections were not accomplished and there is no parliament in Belorussia.

Undoubtedly, the history of post-communist parliamentarism on the territory of the former USSR cannot be called glorious—suffice it to recall the RF Supreme Soviet and its deplorable end, and then too the Duma's activity can hardly be a subject of admiration. Nonetheless, the role of parliament as a whistle mechanism for releasing steam is difficult to deny, since where the safety valve is absolutely riveted shut, a tranquil life can only be achieved in two ways: either by direct terror (the USSR in the 1930s-1950s), or by using food to tame subjects who in addition still remember the past terror very well (the Brezhnev oil dollar prosperity). In the sense of using these methods, the capabilities of the present Belorussian regime seem questionable.

Direct terror presupposes not only a smooth-running repressive mechanism, but also the country's blind isolation from the outside world, and that contradicts not only the emotional procedure with the border gates and the birches, but also the very geopolitical position of the small republic, which is at a busy Eastern European crossroads. Given the impossibility of properly shutting a country off from relatively liberal neighbors, any half-formed terrorist intentions will produce not so much a frightening as an irritating effect, as happened in 1989 at the decline of the CEMA [Council for Mutual Economic Aid] "people's democracy." An unwritten social contract with subjects, that is to say, steadily increasing the standard of living of working people in exchange for their abandoning any social activism at all, requires the appropriate economic resources—no wonder there was perestroyka; meaning the actual denunciation of the social contract a la Brezhnev coincided with the end of the oil dollar miracle. But in Belorussia, the economic situation is such that there simply are no resources with which to buy people off. The only real resource may be ignoring the de facto failure to fulfill tariff-customs agreements with Russia—without saying so, letting subjects live on contraband at the expense of the Russian budget. Blaming the Belorussian leadership in this case would not be completely fair: they are not trying to get rich, just survive.

The political options which are now being developed amount either to changing legislation in hindsight and considering the parliament empowered when 40 percent of the deputies are elected, or merging the old and the new Supreme Soviets, or having direct presidential rule. In any case, this means only that social contradictions (which given the average monthly wage of 5 U.S. dollars may be extremely critical) will begin to be channeled not to the parliamentary hall but to the street. Given such prospects, it is quite difficult to plan Russian-Belorussian relations for the long-term: while as applied to one partner (Russia), the word "stability" has a certain sense, this word no longer applies at all to the Belorussian partner. An altogether unpredictable political mishmash may appear beyond the birch on the border at any time.

The strangest thing here is that although the specific nature of the Belorussian leadership was no secret to anyone and the degree of democratism of the election procedure was obvious from the very start, Russian politicians amicably showed unprecedented enthusiasm right after 14 May, when the first round of elections was combined with a referendum on integration with Russia. The fact that all the fears and doubts were rejected by the Russian communists was more or less understandable, since it would be strange for a communist not to rejoice in a communist renaissance on his neighbor's land. However, the president of the RF rejoiced as well, immediately congratulating the integrator Lukashenko and

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recognized democrats like the chairman of the Duma committee on foreign affairs, Vladimir Lukin, who was expected to understand that "there are secret, strategically fateful decisions which overrule all accounting calculations." "Fateful decisions" meant the reunification of the RF with the RB, while "accounting calculations" meant the economic price which Russia must pay for it. Accounting calculations can, of course, be overruled—the novel by Vasiliy Aksenov discusses the similar problem of the reunification of the USSR with the Crimean Peninsula, and one of the Politburo "little portraits" notes: "We do not economize on ideology." But it follows from Lukin's reasoning that "accounting calculations" are the only obstacle to the Anschluss, while the political prerequisites are in fine shape.

However, it would be best to refrain from the second assumption at least until the results of the second round of elections to the Belorussian Supreme Soviet are summarized. On the one hand, it would at least become clear what is happening on the Belorussian political scene; on the other, collating statistical data on the plebiscite and both rounds of elections to the Supreme Soviet would enable us to establish more precisely whether there were improprieties, and if so, then to what extent, and exactly what the value is of this plebiscite overall. Ultimately, if the natural mission of the Belorussian leadership is to push up the price for themselves in every possible way (including by means of manipulating the elections), then the mission of Russian politicians and diplomats which is just as natural is to understand what really is behind all the plebiscite manipulations. It has now become clear that nothing is behind them except the complete political and economic impasse in which the Lukashenko administration finds itself—but that was certainly almost obvious back on 15 May. Waiting another 2 weeks and only then talking with Lukashenko taking into account the changed conditions is elementary diplomacy. But this elementary procedure proved to be unavailable to the Russian leadership, and they preferred, based on the principle of "ringing the bell without looking at the church calendar," to make "fateful decisions" and break the border gates, which produced the biting comment by their neighbor Kuchma.

***Economic Benefits of Preserving Use of Russian Language Asserted**

954Q0185B Moscow SOVETSKAYA ROSSIYA in Russian 20 May 95 p 3

[Article by Yevgeniy Pavlov, deputy of the Federation Council: "Russian Language Is Common Wealth"]

[FBIS Translated Text]

When one looks at the report of the mounting debts of some CIS countries to Russia, it is difficult to restrain one's bewilderment. Kazakhstan, Ukraine, and Belorussia are large states with a developed industry, resources, and a highly educated population. Why is their economy declining, why is the competitiveness of their products being undermined?

To the series of many factors, which, usually, are mentioned and are known to all, I will add one more. True, it is not yet taken seriously, but, in my opinion, is of tremendous importance. It is the displacement of the Russian language. I will try to prove this.

All production in the USSR was based on scientific and technological documents in the Russian language, especially in science-intensive sectors, ecology, extraction of minerals, heavy industry, and so forth.

And now under the effect of administratively introduced local languages the communicative function of the Russian language is collapsing. Time is needed for the translation of all documents and for language study as well.

Can someone say and has someone demonstrated that the Russian language is being displaced in these republics? Alas, this is so.

Suffice it to become familiar with school statistics and all questions will no longer arise. In Belorussia, which is not at all a record holder in the displacement of the Russian language, there were even mass protests by parents against their children's removal from the Russian language as early as first grade.

An artificial displacement of the language in general use, which disregards any budget expenditures, cannot fail to lead to the most unfortunate consequences both in the economy and in culture.

Incidentally, is the study of a language such an inexpensive thing? Previously, only rich people could afford this. Now, suddenly, they want to teach the entire republic the language of the "indigenous" nationality in the shortest time.

I think that it is clear to everyone: Discrimination against the Russian language sharply lowers the cultural and scientific level of society.

And another untouchable topic. The soul of the people is in the language. The person who grew, matured, loved, and sang songs in the Russian language cannot fail to feel a monstrous psychological discomfort if he is forcibly removed from it. The Russian language of recent decades and the culture and science created in it are the creative achievements of Ukrainians,

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Belorussians, and Kazakhs, not only of Russians... Therefore, to disregard it means to disregard one's own achievements.

It is said that the economic and customs space unites us. Language unites us first of all and everyone together must cherish this powerful means of unity and mutual development and not remove the young generation from this wealth.

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Economic Issues

*Main Directions of Central Bank Activities Outlined

954E1094A Moscow KOMMERSANT-DAILY in Russian 10 Jun 95 p 6

Article by Yaroslav Skvortsov and Mikhail Golubev: "Tatyana Paramonova Will Do Much That Is Useful — If She Remains in the Central Bank"

[FBIS Translated Text] **The International "Bank Personnel: Training, Increasing Qualifications and Administration" Banking Congress concluded yesterday in Petersburg. It was not so much the subject on the agenda as the person of Tatyana Paramonova, the acting Central Bank chairman, that was at the center of attention of the congress participants and guests.**

Let us stipulate that the organizers were not completely sure until the last moment that Mrs. Paramonova would be able to come to Petersburg (she participated on Tuesday in hearings with a Duma committee). On Wednesday, however, when the plenary sessions of the congress began, Tatyana Vladimirovna was in the hall and gave a program speech touching upon the main directions in the Central Bank's activity during the coming year.

When speaking about the actual problems of Russian commercial banks, she dwelt on the need to build up their own capital. According to the estimates of the Central Bank's acting head, more than 40 percent of the commercial banks have at the present time a registered charter capital of up to 500 million rubles and 34 percent have from 1 to 5 billion rubles. A total of 253 banks, that is, approximately 10 percent, possess more than 5 billion rubles of charter capital (79 of them have more than 20 billion rubles of charter capital. This is equivalent to 5 million ECU [European Currency Unit]), These data permit one to talk "about a gradual, although insufficient, improvement in the banking system and the overcoming of capital dispersal among small banks." Mrs. Paramonova pointed out the urgency of developing and adopting laws defining such banking procedures as bankruptcy, mergers, takeovers, and the elimination of banks. It is noteworthy that Tatyana Vladimirovna appraised bank failures as an "unavoidable phenomenon during the formation period" which Russia's banking system is now undergoing.

During the past year, the Central Bank started to establish an early response system which would permit "potentially problem" banks to be detected based on information about the current liquidity of commercial banks. In improving the already existing system of measures related to these banks, the Central Bank intends to devote special attention in the near future to a new measure — a written agreement between the Central Bank's supervision agencies and a commercial bank's council of directors.

Tatyana Paramonova devoted a considerable portion of her presentation to questions on improving the book-keeping and financial reporting of commercial banks. In the near future, the Bank of Russia will develop new instructions regarding book-keeping methodologies, primarily the use of the account plan that is in effect. "The introduction of new financial reporting forms will bring Russian book-keeping norms closer to the international one, thereby permitting a bank to evaluate its activity in accordance with standards generally accepted in the world community" (it is noteworthy that the early response system will be based on these standards, which "permit one to determine the level of a bank's financial stability").

As is known, an experiment is being conducted in 14 regions of Russia to implement inter-regional electronic payments. During it, additional measures together with existing postal and telegraph remittances will be approved to increase the speed of interbank settlements. As Tatyana Paramonova reported, it is planned to extend this experiment to another 47 oblasts after the introduction of certified personnel training systems.

In the words of Mrs. Paramonova, the Central Bank must develop in the near future a mechanism for protecting the population's deposits. When speaking about the establishment of a federal insurance fund for private deposits, whose activity would be regulated by a special law on mandatory insurance for the deposits of citizens, Mrs. Paramonova emphasized that commercial banks and their associations will be able to start establishing — even before the adoption of this law — an insurance fund for the population's deposits based on the principle of the banks' voluntary participation by means of pre-tax deductions taken for expenditures. She also pointed out the importance "of special reserves for possible loan losses and for covering unpaid customer loan obligations "in order to maintain the banking system's stability." These are related to bank pre-tax expenditures in international practices

When speaking about the memorable introduction of changes in the mandatory reservation procedure for ruble and hard currency accounts, Mrs. Paramonova described the reaction of commercial banks to these Bank of Russia measures as "not a simple one." She promised to use the wishes expressed by commercial banks and the ARB [unidentified] when ... developing new instructions. In particular, the Central Bank will

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in the near future reissue the instruction on ways to regulate the activity of commercial banks. The document will strengthen the requirement for new banking legislation, primarily on questions concerning bank supervision. The new instructions will stipulate the control procedure on the part of territorial Central Bank main administrations (there are 73 of them at the present time) over credit institutions' implementation of economic norms and will define measures to influence them in the case of possible violations.

An extremely curious event occurred during the press conference that was held afterwards. While Mrs. Paramonova was answering a question about stabilizing the ruble's exchange rate, Viktor Gerashchenko, the former Central Bank head, entered the hall and sat next to the journalists. Waiting until the questions ran dry, he raised his hand. This, it seems, surprised all those assembled there a great deal. The moderator inquired: "Do you have a question, Viktor Vladimirovich? — What agency are you representing?" Viktor Gerashchenko countered: "My own personal one" and, addressing Tatyana Paramonova, asked: "If it happens that irresponsible Duma deputies vote against your approval, this will be a tragedy for Russia. Will you leave the Central Bank or continue to work in it?" A pause sprang up and then Mr. Gerashchenko suggested that Mrs. Paramonova not reply. However, having thought awhile, Tatyana Vladimirovna confessed that she had still not made a final decision on this matter. Later, Mr Gerashchenko told journalists in the congress lobby that a portion of the deputy body and some members of the budget committee, without expressing any complaints in principle about the work of the Central Bank and its leadership, had insisted on a secret ballot, "hiding their heads in the sand," and then they voted against "in accordance with instructions received along with lobbying money." In Viktor Gerashchenko's words, he informed the deputies that he would leave the Central Bank system in the event of another rejection of Paramonova's candidacy for the position of Central Bank head.

***Sberbank Lowering Interest Rate**

954E1048A Moscow DELOVOY MIR in Russian 1 Jun 95 p 3

[Article by Moysey Gelman under the rubric "Viewpoint": "Who Is Eyeing the Money of Sberbank Depositors? 'Black Tuesday' May Be Repeated'"]

[FBIS Translated Text] Starting on 15 May of this year, RF Sberbank [Savings Bank of Russia] lowered the income rate on time deposits of its depositors from 8 to 6 percent a month. This seems very strange. After all, the official increase in inflation in April was 8.5 percent as opposed to 9 percent in March. Consequently, to set the deposit rate lower than the inflation rate means not only depriving depositors of dividends, but also imposes a tax on them. In this case a tax of 2.5 percent. And it appropriates all profit above that which compensates for inflation. In what civilized country is such a thing possible? And there can be no question that mass withdrawal of deposits in Sberbank will begin after such an expropriation. Some of them will be moved to commercial banks, where the monthly rate on deposits is over 6 percent. And some will enter the hard currency market, fattening up the dollar which has been a little lean recently.

But just why is the Sberbank management provoking the outflow of personal savings, a source of considerable profits for both Sberbank and its stockholders?

This is not the first time such an operation has been conducted. Everyone remembers the October events of 1994 which produced the infamous "Black Tuesday." At that time Sberbank also lowered the deposit rate, from 9 to 7 percent. And that forced many people to withdraw their deposits and convert them to hard currency. This intervention on the currency market to a considerable degree helped increase artificial demand and raise the exchange rate of the dollar. After these events, in order to identify the causes of the snowballing plunge of the exchange rate of the ruble, some commission was formed and charged with the duty of finding those to blame for what had happened. Which points to the idea that speculation in hard currency is controllable. For at first, by buying up dollars and creating a shortage of them, merchants initiate a rise in the hard currency exchange rate, and after that the opposite occurs—the buying up of rubles, but now at a lower exchange rate. If the Central Bank buys them up, it is advantageous for the government, which in present conditions also has an interest in inflation growth greater than the 2 percent envisioned in the budget. For at the same time, absolute tax deductions rise too. You may recall how the authorities suffered when not all taxes were collected last year, right before "Black Tuesday," because inflation was below the planned 15 percent on which the federal budget at that time was based. Today's increase in the exchange rate of the ruble also proves to be a disadvantage to the authorities. So the question arises of whether there will be a repetition of last year's story with its snowballing drop after demand for hard currency increased.

If we look at the lowering of the Sberbank rate taking into account its intended privatization, additional curious conflicts arise.

According to the new edition of the law on the Central Bank, starting next year it is prohibited from participat-

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ing in any commercial organizations. It would seem to be sensible, for the sake of preserving a financial source for the government, on the one hand, and preserving state guarantees for Sberbank depositors, on the other, to transfer the Central Bank's Sberbank stock (meaning the 51 percent share of the state represented by the Central Bank) to the Ministry of Finance. However, judging from certain publications, this stock has already been transferred to Goskomimushchestvo [State Committee for the Administration of State Property]. This same department has been charged with preparing proposals on privatizing Sberbank, among them selling the state stock.

Having transferred a large share of state property to private hands cheap in the first stage of privatization and obviously not expecting the planned successes of the second stage, homegrown ideologists of the repartition of property decided to undertake a variant which safeguarded their political image. Of course, it is not clear why this organ for the administration of state property suddenly got involved in finances.

It is perfectly obvious that the present stockholders of Sberbank which are commercial banks will be the first to claim the stock being sold. And for this they need money. So why wouldn't they pump it out of Sberbank in advance, luring depositors with higher interest rates on deposits?

So, Sberbank dropped its rate. I think that someone with power (the holder of the controlling block of stock?) in Sberbank's joint stock community deliberately embarked on this step, which is objectively a disadvantage to Sberbank. The following fact possibly confirms this. Quite recently, in mid-May, Goskomimushchestvo signed a memorandum with a consortium of banks (which included Sberbank stockholders) which proposed to allocate a credit to the government for 2 years at the LIBOR [in English] rate plus 3 percent annual interest in exchange for transferring to them in trust state stockholdings in privatized enterprises with a value of 9 trillion rubles [R]. Why not hypothesize that in putting together the memorandum mentioned above, the parties reached some understandings that were mutually advantageous, including to individuals? On the principle I'll scratch your back and you scratch mine? And the savings of depositors and their dividends which can be used to buy up Sberbank stock when it is privatized served as a means of exchange.

As for the planned credit against a state stock trust outlined by the memorandum, it is unlikely that in 2 years the government will find the capital to redeem it. And the stock will float away. However, I think that most of these stocks will probably prove to be simply a cheap but necessary burden on the Sberbank stock. For the stock of privatized enterprises (what purpose would this have?) has substantially fallen in price. And it is perfectly possible that this "burden" may prove to be an object of bargaining for the parties which signed the credit memorandum. As for investments during the period of the trust, they are unlikely to be substantial. At least before the deadline for the government to repay the credit. After all, most production cycles take over 2 years. And until the fate of the stock is finally decided, it will obviously simply be security against the loan and a unique type of payment for power over Sberbank.

True, I do not understand what grounds are being used to privatize Sberbank. First, unlike former state property created with the capital of the entire former Soviet people, Sberbank was built entirely on the capital of its depositors and dividends. And it seems fair to convert the depositors into Sberbank stockholders on the condition that the state debt to them is paid off.

Secondly, there is no law on privatization of Sberbank.

Third, on this occasion the state is depriving itself of the last sources for its own financing, as well as control over the use of enormous amounts of capital of the country's population. This money used to serve as the main source of investments in industry, but nowadays under guise of trade secrets, it is used for who-knows-what. Consequently, in the future the government will be completely dependent on commercial banks.

At the same time, however, after depriving itself of the Sberbank dividends, the state will increase the budget deficit and in any case lose all opportunity to repay the state debt to depositors.

Most unfortunately, information on the Central Bank is almost completely classified, even information concerning its stockholdings. Which produces various conjectures. The full privatization of Sberbank deprives its clients of any state guarantees, although their deposits make up roughly 80 percent of all personal bank deposits.

It is surprising that all this is occurring right before the elections. And the Sberbank depositors are being pushed into opposition to the government, which is picking the pockets of both sides at the same time. So who benefits from that?

*Banks Introduce Dealing Operations

954E1048B Moscow DELOVOY MIR in Russian 30 May 95 p 12

[Material prepared by the information company of NIAS-TV based on data of analysts of the TENFORE

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international financial information system: "The Contemporary Practice of Dealing Operations"]

[FBIS Translated Text] The structure of Russia's financial market which has taken shape at this time is gradually approaching the classic one—there are already stock and nonstock markets in hard currency, interbank credits [MBK], state bonds, and corporate stock. Markets in state treasury bonds, municipal securities, and promissory notes are forming. It is no secret that different sectors of the market are on the one hand interrelated (the classic example of MBK and hard currency or MBK and GKO [short-term government bonds]), while on the other they have an impact on other sectors (GKO and hard currency).

One of the new directions of work on the financial market is the creation in banks of dealing departments, as well as independent dealing centers. Dealing operations are classified as hard currency-financial operations, and they are quickly being "incorporated" by domestic commercial banks and are gradually becoming a world-standard financial service.

Despite differences in the forms and methods of work, the dependence of financial results on obtaining prompt and as complete information as possible is common to all sectors. At the present time, the infrastructures on the hard currency, MBK, and GKO markets are most developed. This article tells about contemporary trends in the development of financial operations.

Operations involving hard currency dealing are carried out by means of connecting up to a transnational information system. The system chosen (REUTER-Dealing, Tenfore, Bloomberg, or Telerate [names given in English in text]) depends on the particular conditions and objectives. Set up in the dealing hall is all the necessary equipment which makes it possible to work with several banks connected to the system at once and make deals in real time mode (on-line [in English]). The most successful banks are those which combine hard currency and ruble dealing within the framework of one department, which allows banks' resources to be moved to various financial assets quickly. As a rule, the complete range of operations on the domestic and international hard currency markets, spot, outright, futures, deposit, and other transactions, is conducted by means of dealing systems.

It may seem paradoxical, but the continuing stagnation on the corporate stock market has a positive effect on the formation of the stock market; professional participants have begun to realize the need to shift from the "Sturm und Drang" period to methodical and systematic work to create a complex and fragile structure, the stock market. The actions of the government and the federal securities commission are focused on this too. To make the Russian stock market civilized is a task which takes more than a day. Especially if the attempt is not simply to copy world experience but to have the goal of making Russia an independent financial center. New forms must be combined with accumulated experience, and the most important thing—the specific characteristics and mentality of Russian citizens must be taken into account, since there will be no civilized financial market without attracting their money.

At the present time, Russia's stock market, first, has lost its "transparency"; deals are made both at exchanges and in the nonexchange sector with the latter prevailing, especially in the sector of the securities of privatized enterprises. The underdeveloped infrastructure and the lack of information on deals on the nonexchange market means the stock market obeys its own internal logic rather than universal laws. The rate of stock depends not on the real economic status of the emissions bodies, but on demand, which is defined by the interests of a limited circle of market participants who in turn depend on the existence of a "big buyer." In addition, the 1994 stock market boom revealed the following pattern: in practice the price of stock of Russian enterprises is largely determined by the inflow of capital, for the most part Western capital, rather than the real value of the assets.

So, trading systems are being created on financial markets with great difficulty, since the conditions of Russia—an enormous territory, problems of intercity telephone communications, poorly developed interregional means of communication, and lack of experience in the use of contemporary telecommunications means—substantially narrow the circle of possible means of communication which may be employed in organizing the global information network. The cost of information depends on the type of transmission channels and receiving equipment used. The telephone channels (assigned or keyed) which are commonly used at the present time as a rule prove to be the cheapest. However, taking into account the quality of the Russian telephone network, this method of transmitting data does not always ensure the necessary reliability and efficiency. The existence of the appropriate software able to support a simultaneous link between all participants in the system and the center, and with one another, is another essential condition of the operation of a trading system.

For both dealing and stock exchange operations, there is typically a need for a quick and adequate response to the situation which has developed. A large volume of information contained in quotes, exchange summaries, analytical overviews, news on the condition of the domestic and foreign financial and stock markets, and in-

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formation from information agencies must be processed to accomplish this.

Available information never is complete or unambiguously defines the market's future (with the exception of confidential information). So in order to make a decision on buying or selling hard currency or securities, it is a necessity for the participants in the market to process a large volume of this incomplete information, using high-powered mathematical methods for analyzing trends and predicting changes in currency exchange rates.

Two categories of factors have an impact on the rates of securities:

—fundamental factors (internal and external political events and natural disasters), which determine jumps in the exchange rates of currencies;

—technical factors—mathematically calculated trends in changes in exchange rates.

Methods of technical analysis which have both their advocates and their fierce opponents help facilitate decision-making by presenting information on the market conditions which have developed at the present time in the form of coherent indicators and ones suitable for analysis. Designating a technical analysis means reducing the complicated movement in prices on the market to a set of indicators such as trends, deviation from a trend, the difference between a long-term and a short-term trend, and so forth.

At the present time, several foreign information and information-dealing systems are well-known in Russia—Reuter, Tenfore, Dow Jones Telerate, and Bloomberg, as well as the domestic system FOREX-94 [all in English] created by Uralvneshtorgbank [Ural Foreign Trade Bank] specialists. Some of them are able to make a technical analysis to determine short-term trends (Reuter Technical Analysis, Tenfore, Dow Jones Telerate, Bloomberg, and FOREX) and long-term trends (Tenfore and Bloomberg). Summaries of the news of world (Reuter and Tenfore) and domestic (Tenfore) agencies and commentaries by experts (Reuter, Tenfore, and Bloomberg) can be obtained at virtually each one.

The programs of Meta Stock, Super Charts, Wall Street, ABC Brocker [all in English] also meet the objectives of technical analysis. Technical analysis programs make it possible to follow a large number of charts simultaneously and pick out the commonly accepted indicators from them for each one. The Danaliser [in English] technical analysis program offered by the Tenfore system enjoys particular interest.

Until recently Russian financial institutions' choice of information systems in organizing dealing departments was limited largely to Reuter. Bloomberg and Tenfore appeared on the domestic market relatively recently. At the present time, more than 200 Russian banks work with dealing systems, creating their own dealing centers.

The basic directions of work of these centers are operations on interbank regional markets in short rubles and hard currency, swap operations, and forward operations. But those are by no means all the possibilities offered by dealing systems.

Dealing centers formed recently with the participation of foreign brokerage houses and financial companies have recently been offering a whole number of new services to their clients. Some of these centers were formed at the initiative of the well-known American company AFT (American Foreign Exchange Trust) [in English], which appears on the Russian market through its representative—IFTN (International Financial & Trading Network 2000, Inc. [in English]).

The creation of the IFT Network, Riga, Inc., and the opening on its base of a dealing center in Riga was the first experience with introducing the new technology for participating in open tenders on the territory of the former CIS. The center's activity proved to be so successful that the decision was made to open dealing centers in Moscow, and then in other cities of Russia and the CIS countries. The well-known international information system for financial-economic information, TENFORE, assumed the function of providing technical support to participants in the dealing centers.

The project on round-the-clock handling of dealing operations on the world currency market in real time mode offered by the AFT and IFTN companies and the TENFORE system is unique because it is based on handling deals for buying and selling currency using a credit line which is 100 times the amount of the deposit. In this way small clients are offered the possibility of participating in hard currency operations on the world scale. The mechanism of the deals means that a client offers security of 1,000 dollars and can buy and sell a currency contract equivalent to 100,000 dollars. Following the changing currency exchange rate, the client tries to sell the currency contract he has with the greatest difference in exchange rates. The credit line granted makes it possible (assuming the successful handling of the operations) to use a small amount of one's own capital to achieve a high degree of effectiveness in investing monetary means.

As practice has shown, creating dealing centers at banks, financial and investment companies, pension and insurance funds, and similar commercial structures is best.

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The formula developed by the AFT and IFTN companies with the help of the Tenfore system enables any legal person to participate in dealing operations. Questions of insurance operations, security, and confirmation of deals have been worked out.

The Russian ADD firm offered an interesting variant for resolving the problem touched upon. This investment project developed by the Western economist Zholt Bezdann [transliterated] envisions organizing an international exchange on the base of this firm. Technical and information support of the exchange were also charged to the TENFORE system. The objective of creating the exchange is to provide Russian investors access to deals at all world financial sites, allowing them not only to perform operations with hard currency but also with securities (futures and options) and real commodities (raw material). The project includes the realization of the following two subsequent stages.

In the first stage, Russian businessmen obtain access to work on international financial markets through prominent brokerage houses of Western Europe. Futures contracts are assigned the leading role in this stage. The point is that the Russian law "On Hard Currency Regulation and Hard Currency Control" prohibits domestic investors from acquiring securities of foreign emissions bodies, since it treats these operations as a form of exporting capital. However, the technology made the basis of the exchange being created envisions trade in futures. In that way, Russian investors obtain legal access to the game of nonresident securities.

The second stage of realization of the project proposes to devote more attention to deals on the real commodity market (oil, timber, coffee, tea, sugar, and other things).

If this project is compared with projects being implemented by AFT (and I must mention that both projects have already found their followers among Russian investors), certain distinguishing features may be singled out.

First, dealing centers oriented primarily to the hard currency market (the first project) at times provide their investors with large profits but also promise larger losses in case of failures than centers oriented to the securities market or certainly the commodity market (second project). In fact, commodity and stock markets as a rule are less risky than the hard currency market. This is related above all to the number of factors which have a substantial impact on the particular segment of the market. For example, the grain futures market is affected by many fewer factors than, say, the dollar's relationship to the mark.

Secondly, the second project offers its user a much larger spectrum of financial tools which can be used in the speculation game. These include not only hard currency (as in the first project) but also, as was already mentioned above, futures contracts and raw material and other assets of the stock and raw material markets.

At the same time, of course, there are a number of other features which make both these projects similar. Above all this refers to feedback. In this context, feedback means the dealer's (broker's) real opportunity to carry through a deal. Both these projects (and many others similar to them) provide this opportunity in real time mode with the appropriate mechanism for securing and insuring deals and confirming them.

The length of the article does not permit me to dwell on all the features of organizing contemporary dealing centers in more detail. However, it is clear that the appearance of a great diversity of formulas for their technical solution represents a very positive phenomenon on the Russian market.

The material was prepared by the NIAS-TV information company on the basis of data of analysts of the TENFORE international financial information system. Contact telephone: (fax) (095) 238-35567, 238-39448.

***Polevanov Examines Privatization Issues**

954F2432A Moscow KOMSOMOLSKAYA PRAVDA (DELOVOY VTORNIK Supplement) in Russian 30 May 95 p 2

[Interview with Vladimir Polevanov, former chairman of the GKI and deputy chief of the Control Office of the administration of the president, by Aleksandr Meshkov; place and date not given: "'I Spoke Prematurely, But Not in Vain': Gaydar's 'Bugaboos' No Longer Scare Anyone"]

[FBIS Translated Text] Vladimir Polevanov, former chairman of the GKI [State Committee for Management of State Property], continues to defend his views, which evoke stormy debates, in his new capacity as deputy chief of the Control Office of the administration of the president.

[Meshkov] Vladimir Pavlovich, your brief activity in the post of chairman of the GKI gave rise to many false rumors.... Tell me, do you reject the present privatization program entirely?

[Polevanov] Chubays' concept of privatization deprived the budget of necessary revenues and created an unprecedented criminal environment; it contributed to the destruction of the small middle class that still existed until the beginning of the so-called "radical reforms." I

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do not understand the kind of reforms that are conducted without paying attention to the total impoverishment of the main mass of the population....

A striking contrast to this is China.

[Meshkov] I recall that just three years ago Gaydar, responding to the same kind of criticism in the Supreme Soviet of Russia, said: If you want to take the Chinese path, instead of democracy you will get an authoritarian regime.

[Polevanov] These "bugaboos" of Gaydar no longer scare anyone. Just what is democracy? In my opinion, first and foremost it is the ability of a person to live appropriately.

Second, it is impossible to switch from authoritarianism to democracy in an instant. They learned this in China, and an economic program that has already been implemented was developed under the leadership of Deng Xiaoping. Now the turn has come for other economic programs. As a result, China has succeeded in resolving the problem of importing capital, creating free economic zones (they have six), and tripling grain crops in three years! That is an example of an economic policy that is well thought-out and is being implemented under tough state control. I am convinced that you cannot escape such state control. Otherwise, the mafia will replace the latter. That is what we have in Russia now.

But one would like to believe that in the forthcoming parliamentary elections people of a Russian orientation will win who will form a new government and assign paramount importance to the national interests of their country.

[Meshkov] What kinds of measures will the new government have to implement?

[Polevanov] It will be necessary to protect our own producer, and not in words, but in deeds, to establish precise social reference points and follow them, and to introduce a new minimum wage—in conformity with the real minimum consumer basket.

It is necessary, finally, to resolve the pressing problems with respect to relations with the near abroad. Because of our "charity" we annually lose about $30-40 billion. For Uzbek cotton, which we receive through barter in exchange for oil, we pay 50 percent more than the cost of this product on the world market. It is more profitable for us to buy it in other countries. And the supply of Ukraine with oil and gas for which it has not paid fully to this day? Incidentally, regarding the raw material branches. I consider it intolerable when we actually transfer them to private hands.

There is a concept—the "decile factor." This is the ratio of the standard of living of the richest 10 percent to the poorest 10 percent. If this factor exceeds 10, this indicates that the country is unstable. It does not attract investments. On the average in Latin America this indicator is equal to 12, and in our country it was 21 last year. Should we be surprised that investments are not coming in?

[Meshkov] It is said that foreign investors were quite frightened by your statements about the possibility of nationalization when you were GKI chairman....

[Polevanov] Such opinions, as the popular saying goes, are attempts to hoodwink people. As a matter of fact, our country was considered unpromising for investments long before my brief work in the post of GKI chairman. According to regular surveys of the journal YEVRO-MANY, Russia held 130th to 140th place in the world regarding risk level. It is not surprising that in 1993 we had 2.8 billion of investment commitments, but in the following year—less by a factor of three.

As for my statements on nationalization.... I said then, and I repeat now: The law on nationalization is a market law that every civilized society should have. Along with a law on privatization. These concepts are inseparable, just like, for example, a person's left and right hands. A foreign investor should clearly understand in what case his enterprise can be nationalized, in compliance with what kinds of procedures, and at the same time what the compensation mechanism will be, etc. This is a perfectly reasonable measure that is entered into the framework of a democratic society, and which was at one time employed in the United States, England, and other countries for the purpose of greater economic efficiency.

[Meshkov] However, speaking about nationalization, you probably had something else in mind: deprivation of some enterprises....

[Polevanov] It goes without saying. I think that a new government will also engage in returning to the state everything that was "privatized" in violation of even our wretched legislation. Take for example—the statement signed on 12 December 1994 by S.I. Veryazov, chief of the department on compliance with the law in the sphere of economics of the Procurator General's Office of Russia. He states that privatization of seaport structures and facilities was prohibited in the beginning. But, "despite the remarks of the Office of the Procuracy General, the GKI made its own interpretation of this norm, which was implemented," the jurist writes. "As a result, the state was deprived of practically all seaports at the end of 1992. Only 20 percent of the shares of stock were registered to state ownership, which compelled the

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Government of the Russian Federation this year (that is, 1994—Editor) to engage in the actual deprivatization of these facilities."

Don't Count Your Chickens Before They Hatch

[Meshkov] Vladimir Pavlovich, let us now turn from general to particular questions. How do you assess what is occurring now with privatization in the sphere of the military-industrial complex?

[Polevanov] As a crime against the national security of the country. Many factors indicate this. Here are several of them.

The Boldvin Interprays firm, through another dummy firm, acquired more than 10 percent of the shares of stock of the Komponent Plant, which fills 87 percent of the orders of the General Staff of the Armed Forces.

The Siemens concern acquired 27 percent of the shares of stock of the Kaluga Turbine Plant joint-stock company, which is associated with the development and production of steam turbine installations for nuclear submarines.

The American Boeing aviation firm and the Sikorskiy firm, through the MMM joint-stock company and some other firms, bought up 28 percent of the shares of stock of the Helicopter Plant imeni Mil. The real objective of the famous American firm is to eliminate a competitor on the world market. Through the capability of a dummy commercial structure—Aviaabank—it also intends to take control of the production of the aviation equipment of the Avis joint-stock company—the former Samara aviation plant, our leading aircraft production plant.

Why did all of this become possible? We have not yet firmly established a concept of national security, and laws have not been adopted on protecting state and military secrets. But under conditions when privatization is being conducted at the pace of collectivization, an opportunity is created for foreigners—taking advantage of the legal confusion—to penetrate industries that were previously closed to them, and even to gain control of them. Something has to be done about this.

[Meshkov] But is the government reacting to these facts in some way?

[Polevanov] In my opinion, the government is ignoring them. The FSK [Federal Counterintelligence Service] and the MVD [Ministry of Internal Affairs] are collecting facts, but before this, no one was doing anything about it.

[Meshkov] What do you think of the proposal of the consortium of commercial banks to put at their disposal the state package of shares of stock of enterprises being privatized?

[Polevanov] If a comparison is made with Mr. Chubays' "investment portfolio," this is unquestionably progress. Because otherwise our oil industry would be bought up by foreigners for a song and the profits would go abroad. But this way the money will at least remain in Russian banks.

But what is bad is that this action—if it is implemented—will further stratify society and strengthen the position of the class of super-rich people, whose number has been supplemented owing to bankers, but also owing to the director corps, which became very successful in the field of "privatization."

[Meshkov] Do you have an opportunity, in your new post—in the Control Office of the administration of the president—to implement your ideas somehow?

[Polevanov] Opportunities are scarce. I am trying, of course, to help people as much as possible eliminate injustices (I talked about some of these). But this has to be done at a different level, on a countrywide scale. A system has to be established that will protect the ordinary person.

[Meshkov] How do you assess the professional level of your former colleagues—employees of the GKI?

[Polevanov] Their professional skill is rather high—within the scope of those formalized procedures that were adopted in the sale of state property. It is another matter that the present GKI apparatus could have been used for good purposes, but then, as it is said, the paradigm would have to be changed.

It is paradoxical, but a fact: The GKI in fact does not engage in the "management of property" as such. Its employees are seized by some kind of passion: How to accelerate the sale of and give up state property at cheap prices as fast as possible, and everything else can go to hell. At the same time, no one is disturbed by the mass of "questionable" consultant-representatives of foreign firms and foreign citizens who calculate with computers information that is necessary to them. At one time I managed to refuse this kind of "service," but now everything has returned to its former condition....

[Meshkov] In giving this kind of an evaluation you are aware, apparently, that this could turn into official unpleasantness for you....

[Polevanov] I am fully aware of this, but I cannot remain silent any longer. It is when we keep quiet that such shocking things occur.

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Perhaps I came out with my own particular opinion prematurely, but, I think, not in vain. And I do not consider my forced departure from the post of GKI chairman a defeat. Don't count your chickens before they hatch.

***Roundup of Economic Reports for First Third of 1995**

954E1092A Moscow EKONOMIKA i ZHIZN in Russian Jun 95 No 23, p 14

Unsigned article: "A Difficult Path to Stabilization: The RF Ministry of Economics on Results for the First Third of 1995"]

[FBIS Translated Text] An RF Ministry of Economics report conveys the central question that Russian economists and the press are debating at the present time — the reasons for the difficult and slow movement toward macroeconomic and financial stabilization. Despite the sufficiently strict financial, credit and budget policy that the government and Central Bank have been pursuing since the fall of last year and especially the beginning of this year, the consumer price index in April was 8.5 percent; it was approximately at the March level — 8.9 percent. The effect of many factors is being felt here. The following are the most significant of them.

The first factor is the extremely slow — despite all efforts — process to restore trust in the ruble after "Black Tuesday" and, as a result, inflation expectations remaining high. The average velocity of money circulation, which began to increase in September 1994, continues to grow rather steadily.

The second factor is the substantial difference between the level of domestic consumer prices in Russia and the level of world prices. The ruble's decline with respect to the dollar, which occurred during September-October and which caused a relative price reduction for Russian products, was a factor in the intensive price increases over the course of several months. At the present time, the price level movement dynamics in Russia relative to world prices, which took shape at the end of 1993 and the first half of 1994, has been reestablished.

The third factor is the inflationary increase in costs that occurred at the beginning of this year and for which the gap between the dynamics of consumer prices and wholesale industrial prices and the prices for acquired resources serves as an indicator. During January-April 1995, with a consumer price index of 154 percent, the increase in prices for finished industrial products was 180 percent and in prices for acquired resources in industry — 200 percent. The dynamics of the two latter indicators accelerated in April.

Energy price are increasing most significantly because of the liberalization of prices for this group at the beginning of the year. During the four months, the price increase in the fuel industry has been 202 percent. During April alone, the price of gas extracted grew by 42 percent and oil and its refined products rose in price by 17 percent.

Mutual nonpayments, which remain substantial in amount, are contributing to the price increases in the production sector. Along with this, a trend (although unsteady) toward a lowering of the growth rates in overdue debts in real terms has been noticed. Thus, the increase in the overdue debt of buyers for industrial products decreased from 19 percent in September 1994 to 6.8 percent in January of this year. After some increase in February (7.9 percent), this indicator went down to 2.9 percent in March of this year.

At the present time, the effect of the first two factors is becoming weaker. The trend in the nonpayment dynamics will determine to a great extent the duration of the third one's impact. Generally speaking, estimates show that the strict financial, monetary and credit policy being implemented should lead — considering other factors — to an appreciable lowering of inflation in the middle of this year: to approximately four-five percent during the summer.

The process of strengthening the ruble accelerated in May. The rapidity of the process of strengthening the ruble's real exchange rate is fraught with certain threats. Although the strengthening of the national currency's exchange rate, in itself, is positive, it also has a negative effect in that it reduces the price advantage of Russian exports and, correspondingly, lessens the flow of foreign currency into the country. That is why the problem consists of the need to establish a ruble exchange rate which, on the one hand, would permit it to be used as a means of accumulation and, on the other hand, would not contribute to lowering the effectiveness of export operations. In the future, the country's export potential should be determined not so much by price as by quality factors. Therefore, the increase in the ruble's exchange rate is natural and necessary in a strategic respect. However, the accelerating of this process within a short time frame can inflict substantial damage on the country's economy. In addition, the massive selling of currency by commercial banks leads to an increase in the ruble supply. This, after a five-six month lag, will begin to accelerate the inflation potential this autumn even without considering other factors that traditionally impact on the inflation dynamics in reformed Russia during this time of year.

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The market for state short-term obligations (GKO) has expanded significantly this year. The market's nominal capacity was 28.3 trillion rubles in the middle of May as opposed to 10.6 trillion rubles at the beginning of the year. In 1995, the use of assets from the sale of GKO is foreseen as the main non-inflationary domestic source for covering approximately 30 trillion rubles of the budget deficit. The budget has received approximately 5.6 trillion rubles from the sale of these securities since the beginning of the year.

The cost of servicing the state's domestic debt during April-May was reduced considerably. Whereas three-month GKO were floated at a weighted average price of 64-71 percent of the nominal in January, which corresponds to an annual yield (considering tax benefits) of 298-324 percent, in April, the auction prices for the sale of state obligations averaged 79-80 percent of the nominal with an annual yield of 148-156. Based on the results of the auction to float the next issue of three-month GKO, which was held in the middle of May, the yield of the obligations with a weighted-average price of 81.5 percent was (considering tax benefits) 139.8 percent annually. The total yield of the secondary market in state obligations, calculated by the Central Bank's Securities Administration is 135 percent annually.

The GKO market is being gradually restructured to increase the share of "longer" issues. The general indicator of the length of a debt — the average time for its repayment — increased to almost 79 days in the middle of May as opposed to 50 days at the end of February.

The situation regarding the budget's realization this year is contradictory. Despite the fact that the nominal carrying-out of the federal budget with respect to receipts during this year's first quarter exceeded the forecasted level, the real filling of the income items was considerably lower considering the GNP deflator — at the level of 70 percent of the planned one.

The real GNP production volume during January-April of this year was lower by five percent than the level of last year's corresponding period. However, the drop during January-April 1994 was considerably more — 17 percent.

This deep slump (five percent) characterizes industrial production during January-April of this year. Its dynamics at the beginning of the year were caused by depressed domestic demand and the high competitiveness of the economy's raw-material centers in the foreign market. Increasing export deliveries of products is insuring production stability in ferrous and nonferrous metallurgy, the chemical and petrochemical industry and several other branches. At the same time, economic market conditions for branches operating basically in the domestic market continue to worsen. We are not managing to overcome the deep slump in the science-intensive sub-branches of machine building, the food industry and, especially, light industry.

Nevertheless, the adaptability of enterprises to the market and to domestic demand limitations is increasing. Moreover, with a reduction in inflation, the money supply's real compression will not be so appreciable. Estimates show that, with the implementation of a stable economic policy, one can expect the achievement of a stable monthly dynamic in GNP production at the end of the summer and its revival by the end of 1995.

The situation in agriculture is not taking shape simply. This year, spring crop sowing rates are considerably higher in Russia's agricultural enterprises than during 1994. On 15 May of this year, spring crops had been sown on an area of 35.9 million hectares as opposed to 29.6 million hectares in 1994. Grain and leguminous plants (except corn) had been sown on an area of 24.7 million hectares, or almost four million more than last year The conditions for growing and expanding winter crops have basically taken shape favorably. Considering the weather conditions that have taken shape and that are expected, the total harvest of grain, winter crops, wheat, and rye is expected to be 21 - 23 million tons for the Russian Federation from an area of approximately 11 million hectares. In 1994, the total harvest of winter crops was 23.1 million tons from an area of 11.6 million hectares.

This year, the trend toward a sharp drop in the production volumes of animal husbandry products in agricultural enterprises and, at the same time, the stabilization and some increase in them on the population's private plots is continuing.

At the present time, the population's private plots produce 41.7 percent of the cattle and poultry, 38.6 percent of the milk and 22.1 percent of the egg production. Peasant (farmer) farms, which have a 1.7 percent share in the production of cattle and poultry, 1.5 percent in the production of milk and only 0.2 percent in the production of eggs, practically do not influence the total production amounts of animal husbandry products for all categories of farms. Thanks to the population's private plots, we are managing to alleviate the production decrease on all categories of farms.

The negative trend of recent years, which led to the production slump in the economy's practical sector — the constant reduction in resources directed toward investment — is not being overcome. Thus, according to the federal budget's preliminary estimation, the

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percentage of state investments in expenditures during the first quarter of this year was only 5.2 as opposed to 11.8 percent in 1993 and 7.3 percent in 1994. In this regard, only 2.1 trillion rubles of state investments were implemented during the first quarter as opposed to the projected 4.3 trillion rubles. This is one of the largest deviations from the provided-for implementation of the federal budget items.

Considering that the federal investment programs are being financed through the mentioned source (the level of their implementation during 1994 was, all told, 31 percent), this continuous reduction is becoming one of the main sources for curtailing overall business activity and, in the final analysis, lowering the GNP. In addition, more than 60 percent of the state investment program consists of capital investments in social projects that are not subject to a reduction; consequently, assets for the production sector remain even fewer.

In order to increase investment activity, the direction of 1.45 trillion rubles of state investment resources into the 1995 investment program by floating them on a competitive basis is foreseen. At the present time, 242 projects having an estimated cost of 21.5 trillion rubles have arrived for a competition in Russia's Ministry of Economics. The total central resources requested for them is 3.5 trillion rubles (16 percent). Of the total number of projects, 70 (29 percent) with 0.49 trillion rubles (14 percent) of requested central resources have been sent to the Council of Experts. The number and branch orientation of the applications submitted for the competition permit a conclusion to be made about the acceptability of the new form of state investment support. Of the total number of submitted projects, 31 percent are being proposed for implementation in the agroindustrial complex; approximately 36.4 percent — in the construction and chemical forestry complexes; and approximately 22 percent — in the machine building and metallurgical complexes.

The potential resources for investments are being expanded this year thanks to the reevaluation of fixed capital and the opportunity for an accelerated amortization write-off of fixed capital. According to estimates for 1995, the total amount of resources from depreciation is 165 trillion rubles. This makes depreciation the main source for enterprise financing of investment programs. Whereas the percentage of depreciation allotments directed toward investment in 1994 was 49.2 trillion rubles, or 46.3 percent of the total amount of capital investments, it is planned to direct 101.6 trillion rubles, or 53.5 percent of the total amount of capital investments, in 1995.

In April 1995, the number of unemployed registered with employment service agencies reached the 2-million mark. The average monthly increase in unemployment at the beginning of the year was a record one for the entire time of the reforms. The requirement for workers announced by enterprises and organizations is at the 320,000 level, i.e., on the average, there are six unemployed for each vacancy. The level of officially registered unemployed increased to 2.4 percent of the number of working-age people as opposed to 1.9 percent at the beginning of this year.

*New Approach to Taxation Policy Proposed

954E1063A Moscow KOMMERSANT-DAILY in Russian 2 Jun 95 p 8

[Article: "The State Is Ready To Lower Taxes in Exchange for the Tightening of Tax Discipline"]

[FBIS Translated Text] **This was declared by Sergey Shatalov, who was recently appointed to the post of RF deputy minister of finance, in an interview with KOMMERSANT-DAILY. Today on the pages of KOMMERSANT-DAILY he expresses his viewpoint of the future of tax reform in Russia. In essence, this is a program statement by the new deputy, who supervises taxation matters in the main Russian financial department. His opinion is also interesting, because Sergey Shatalov is one of the principal developers of the draft of the Tax Code—Russia's future main tax law.**

"In this world one can only be certain of death and taxes," the great Benjamin Franklin said. However, whereas death is the prospect, taxes are the realities of the present. For Russia the question of taxes is one of the most acute and urgent. In fact, taxes do not leave anyone indifferent, but the interests of participants in tax relations often are contradictory. The clash of interests gives rise to a rapid and frequent change in the "rules of the game" where stability is almost the main condition.

Of course, it is not simple to reconcile the interests of the state (to collect a little more for the financing of budget expenditures) and of taxpayers (to pay a little less in order to ensure expanded reproduction and consumption). However, the state and taxpayers should not be antagonists and opportunities for a reasonable compromise exist even under present most difficult conditions.

The very important process of reinterpretation of tax policy takes place today. Along with ordinary local amendments to tax legislation generated by the need to hastily solve burning problems, the Ministry of Finance is also preparing strategic solutions designed for a long term.

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The new approach to tax policy presupposes the continuation of tax reform begun in 1992. The wealth of experience—positive and negative—makes it possible to take several successive and decisive steps toward a serious revision of the tax system. However, it is not a matter of a full replacement or fundamental breakup of the existing system. An evolutionary, but short-lived, process is anticipated.

The motto, under which tax reform will continue, can be formulated as follows: "The state is ready to lower taxes in exchange for the tightening of tax discipline." Of course, this also presupposes the establishment of a new legal taxation base.

All the parameters of the new tax regime have already been formulated and entered in the draft of the RF Tax Code prepared by order of the Ministry of Finance. There is hope that in the summer of this year the revised draft will be submitted to the State Duma. What its further fate will be depends on the parliament.

Reduction of the Tax Burden

Provision is made for a real reduction of the tax burden of enterprises through the abolition of the tax on the above-normative wage fund, of the special tax in favor of individual national economic sectors, and of target-oriented taxes. An abolition of the tax on operations with securities and of the charge for the use of the name "Russia" is imminent.

It is planned to prohibit taxes paid on proceeds and to abolish "inefficient taxes," which either cannot be controlled, or the expenditures on the collection of which are comparable with (or exceed) the amounts of receipts.

The tax on the sale of fuels and lubricants, excises on motor fuel, payments for the right to use natural resources, and excises on mineral raw materials, which are similar in the tax base and taxpayers, will be unified.

The consolidation of extrabudgetary funds into budgets with the unification of deductions in favor of these funds into a single social tax controlled by tax bodies will greatly simplify the tax reporting of enterprises.

Plans are made for changes in the computation of the tax base for existing taxes, primarily the profit tax, where the system of expenditures accepted for deduction ("production costs"), the depreciation procedure, and the system of privileges are to be revised. The question of tax privileges deserves a special examination.

Overall Revision and Stage-by-Stage Abolition of Tax Privileges

The draft of the RF Tax Code provides for a significant reduction of tax privileges. This will not only make the tax system more neutral with respect to individual participants in economic activity, will not only place additional barriers to abuses, swindling, and corruption, but will also expand the tax base.

Individual privileges will be preserved (in accordance with priorities declared by the state), provided there is strict control over the results and "price" of such privileges. For example, in the United States funds not received in the state treasury owing to tax privileges are reflected in the federal budget in a separate line.

Tax privileges should be of a temporary and purposeful nature. At the same time, privileges should be granted to participants in economic activity and not to individual regions or territories. For example, it is inadmissible to establish special tax regimes for individual territories within a single state (Russian offshore zones). It is also inadmissible to exempt from taxation the income of servicemen and workers of the Ministry of Internal Affairs, the State Customs Committee, and the Tax Police Department. "Total tax privileges," such as privileges "for any capital investments," should not be allowed. It is unwise not to tax "net" interest income (with due regard for inflation) received by juridical persons.

Improvement in the Legal Basis for the Tax System

It is necessary to revise the legal basis for the tax system as soon as possible. Not only should the legal position of taxpayers, tax agents, tax bodies, and other participants in tax relations be determined, but a number of new institutions should be introduced. They include, for example, the tax obligation. It is necessary to determine the ground for and the moment of its occurrence and the procedure for execution and control over execution and to provide for measures (including compulsory) ensuring the execution of the tax obligation. The law should also determine the procedure for execution against the taxpayer's property, or for putting forward a demand for tax payment to the taxpayer's debtor.

The grounds and procedure for the change in the period of execution of the tax obligation (postponement, installment, tax credit, or investment tax credit) should be determined unequivocally.

Matters connected with the performance of tax audits are extremely important.

For purposes of taxation it is necessary to clearly define such key concepts as economic activity, goods

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(work and services) and their sale, place of sale and the market price, income, income sources, rules in accordance with which income is considered Russian or obtained outside Russia, and many other concepts. This is especially important, because similar terminology in civil legislation often has meanings differing from those used in tax legislation.

Tax Federalism and Powers of Authorities

For one and a half years regional and local authorities have had the right to impose any taxes. However, the fantasy of authorities during the exercise of such a right evokes admiration. Taxes on capital investments outside local regions and on a decline in production volumes have appeared. Cases of an "export of taxes" from one region to another have become more frequent. Russia's formerly uniform tax system is turning into a patchwork quilt with an ever increasing number of patches. This process must be stopped and the right to impose only fully determined taxes must be assigned to every authority level. At the same time, basic principles, on the basis of which these taxes are constructed, must be determined.

It should be established that the following are the exclusive competence of the federation: taxation on foreign economic activity connected with the transfer of goods through Russia's customs border, imposition of indirect taxes and state duties, and introduction of payments for the right to use natural resources and for environmental pollution and of federal license fees. Of course, this does not mean that a certain part of the collected sums will not be transferred to territories. Regions have the right to impose taxes on profit and income and local authorities, on property, land, water, and so forth.

At the same time, quite wide powers to correct the tax base for local taxation should be granted to regions. It is possible to propose uniform federal profit and income tax rates at the level of 15 percent, allowing regional authorities to vary their rates within 0 to 20-30 percent.

Improvement in Tax Collection

A whole package of measures aimed at improving tax collection will have to be implemented. It includes organizational-information measures and functional changes in the activity of tax bodies. However, the payoff from such measures will be noticeable after a very long time.

The elements of tax offenses and measures of responsibility must be revised. Measures of responsibility should be softened. Possibly, a tax amnesty should be granted (not in the previous version) and taxpayers should be given the opportunity to legalize income.

However, control over the observance of tax legislation with an adequate reaction to offenses should also be tightened.

Furthermore, special tax accounting different from financial accounting (intended for owners and shareholders) should be introduced for taxation purposes.

The accounting policy of enterprises should be changed. It is suggested that, instead of existing possibilities of accounting revenues and expenditures "according to shipment," or "according to the receipt of funds" selected directly by the taxpayer, a changeover be made mainly to the "accounts method" (much "softer" than "according to shipment," but much "tougher" than "according to the receipt of funds"), leaving the "cash method" only for individual, primarily small, enterprises.

The effect from the transition to the new accounting policy can be evaluated only qualitatively. However, preliminary evaluations make it possible to talk approximately about 20 percent of the volume of all tax revenues during the first three or four years.

***Strong Government Action Against Crisis Urged**

954Q0220A Moscow PRAVDA ROSSII in Russian 15 Jun 95 pp 1, 3

[Article by Vilen Perlamutrov, deputy director of the Market Problems Institute: "The French Would Have Stormed All the Bastilles..."]

[FBIS Translated Excerpt] **Napoleon I, Emperor of the French, hurriedly invented the Polish Cossacks. When, in December of 1812, the remnants of the Grand Army had just barely made it from Moscow to the Belorussian city of Smorgon and the emperor had decided to dash away from the catastrophe to Paris, he gathered together the marshals and faithful generals and said: the whole thing is that the Russians have very strong cossacks, their horses are hardier than the French ones and, in addition, they have also been shod with winter horseshoes and this is why it is necessary to quickly call the Polish... Cossacks ("Le Cossack... Polonie") from Warsaw, in order to deprive Kutuzov's army of its advantage, and then, by spring....**

The current market reform figures are the Bonapartes of Russia's economy. I have known almost all of them for a long time. Our relations were normal ones and I even had amicable relations with some. I

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state for the record: I did not encounter any Bonapartes among them. And now it is evident to the entire world that this is indeed the case.... The young revolutionary general, in his first campaign in Italy, won, as it was said at that time, "six battles in 6 days" — at Montenotte, Millesimo, Lodi and other places. Our reformers, in almost 6 years, have really had a great number of "Smorgons." [Passage omitted]

This is the truth — in an acute crisis, the government's measures are not divided into market and non-market ones. They are divided only into correct and erroneous ones. Thus, in May of 1940, the just-appointed prime minister of Great Britain, Winston Churchill, in 3 hours, nationalized the aviation plants: the air battle for England was going on.

And another thing. About free prices. In that same England, the nearly complete removal of state control of prices after 1945 occurred no earlier than the stabilization of the economy — in 1964 and, in France, in 1986. And this is given the fact that, at present, from 10 to 20 percent of the prices are being regulated in the countries of the European Union by the states or the union.

Admiral Stepan Makarov admonished his officers this way: "Understand that, at Poltava, we won on rich cabbage soup, but we drove Napoleon out on buckwheat porridge."

And the invasion of the economic crisis may also be overcome and stopped without fail by maintaining Makarov's principle. The first and main thing today is to provide the country with enough food. In order to straighten out the matter of foodstuffs in the country, what is needed is state financial assistance to the agricultural enterprises by, first, extending credit to the agricultural enterprises using a promissory note to be repaid from the future harvest and, second, setting state purchase prices, as well as the prices for resources used in agricultural production (machinery, fertilizers, petroleum products and so on), at a level which will ensure profitable work for the commodity producers (parity prices, as F. Roosevelt called them in 1933; using them and also state purchases in the countryside, he also saved U.S. agriculture from ruin and the cities from hunger).

V.

Further. In order to overcome the crisis, it is necessary to re-establish the national economy's destroyed investment field. Not a single industrial economy can endure several years of decline in a row in capital investments. Incidentally, over the first quarter of this year, only a single production line has been placed into operation in Russia (not a plant, nor a factory, nor a shop, but only a line at an operating enterprise). It is possible to solve this problem using two methods. First, it will be necessary to close down all purely speculative commercial structures like MMM, Tibet, Selenga and so on, which siphon citizens' money away from productive use in in the economy. Second, based on the experience of postwar Japan, it is necessary to establish a procedure for the compulsory transfer of a specified portion of the capital of commercial banks "for safekeeping" to the Central Bank which would direct it into the financing of capital investments in sectors, plants and regions which are currently deciding the fate of the economy.

Furthermore. The straightening out of the supply and sales ties between enterprises. We have lost the old wholesale supply and sales link and have not developed new market-oriented wholesale merchants. There can be no modern economy without a wholesale trade and this is why, under current conditions, syndicates (they can, of course, also be called something else — financial-industrial groups, for example) should be established based on the experience of the Soviet NEP [New Economic Policy].

Subsequently. A clear-cut and distinct mechanism for taxing incomes and capital is needed. Today in Russia, taxes can be neither raised (they cannot go any higher) nor lowered (after all, the treasury is empty...). The way out consists of the following. It is necessary to make the tax system simple, clear and efficient. Instead of the five score taxes, fees and withholdings, there should be only three to five, so that the tax inspectorates could at least survey the field of their activities. A procedure is necessary for the compulsory open publication of the accounting balance sheets of enterprises and organizations, as well as of the tax declarations of wealthy citizens and criminal liability for "errors" in these documents. The main payment into the budget should be a tax on profits, with differentiation of its rates in relation to an increase in profitability and an increase in the production volumes, which will direct the producers toward an increase precisely in the amount and not exclusively in the form of profits and, consequently, toward an increase in production volumes.

In addition. In all industrially developed countries, the state regulates prices with the aid of legislative, administrative, financial, credit and other methods for stabilizing the level of prices. Only in our country does there exist in the price formation such "freedom and choice" as have not existed anywhere for a long time now. This is why, in a time of crisis, the state's centralized control over prices is necessary — approximately the same kind as was introduced in the USA in 1971 by Presi-

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dent R. Nixon. In particular, the state should control the prices, first, for goods and services which are of decisive importance to the national economy (energy resources, basic types of raw materials, housing and so on) and, second, for especially significant goods and services — bread, milk, fats, clothing, footwear, and so on.

And finally. Russia's currency should be reliably protected against all monetary interventions from outside. In a crisis period, the Central Bank should have the authority to regulate all currency relations, including, when need be, the introduction of a compulsory exchange rate for the ruble (for "baskets of goods") against other currencies and the establishment of the conditions for the importing and exporting of currencies, capital and profits. This is a standard duty of the Central Bank of any country under the conditions of a crisis in the economy.

In the course of a crisis period, a rational state policy to protect the domestic market and to control strictly the private exporting activities should be pursued. All export transactions should be conducted through a few large firms and syndicates which are controlled by the state and which perform export transactions on a commission basis. Trade involving sales for rubles should become the most important form of exporting so that the importers acquire rubles for currency and all deals and prices are public and under control. If they are for rubles, then foreign buyers will begin to purchase them actively and the ruble's exchange rate will rise and, I assume, substantially at that.

Thus, it is high time we begin to live by our wits. You will not be satisfied by someone else's. It is necessary to put our own economic, and thus the entire Russian, house in order. There are enough scatterbrained — this is their best characteristic — experiments. The main thing we need now are precisely the most suitable people in the most suitable positions. And then, as the wise peasant, Vasilly Terkin, said in a similar situation, "we will not go too far, thus we will break through, we will be alive — we will not die, the time will come, we will come back and what we gave up — we will take all back."

*Report on Foreign Trade Reform, Trade Deficit Predicted

954E1027A Moscow KOMMERSANT in Russian 23 May 95 No 19, pp 13-15

[Article by Tatyana Gurova, Nikita Kirichenko, and Dmitriy Sotnikov: "Foreign Trade Has Been Regulated: Reform of Foreign Trade Comes at the Right Time, But Is Insufficient"]

[FBIS Translated Text] Throughout the entire reform period attempts to improve the mechanisms by which foreign trade is regulated have been made only sporadically and usually in response to the threat of worsening conditions in a specific industry—if, of course, that industry could gain access to the bureaucrats upon whom its fate depended. True, the results of these typically one-time, uncoordinated measures did improve as Russia became more integrated into the streams of goods that flow around the world. However, our calculations, which are presented below, indicate that recently, particularly in our present situation, even broad application of tariff-based methods of regulating foreign trade is not sufficient. As our domestic prices approach world prices, the exchange rate is becoming the principal foreign trade regulator. Active and positive influence on our balance of payments will require a faster rise in the dollar exchange rate, yet that is hampered not so much by current forces in the currency market as by the government's obsession with battling inflation.

Graph 1 illustrates the dynamics of Russia's import and export volume to countries in the near abroad since the beginning of 1992 (the initial data have been seasonally adjusted). As the graph shows, prior to 1993 import volume was decreasing, a fact attributable to the trend away from centralized procurement. Meanwhile exports were slowly increasing. Since the beginning of 1993 the growth in export volume has accelerated sharply, and the decline in import volume has reversed itself. The more active foreign trade model in 1993 was due to massive entry into the market by commercial structures and state-owned enterprises that had been granted the right to trade independently.

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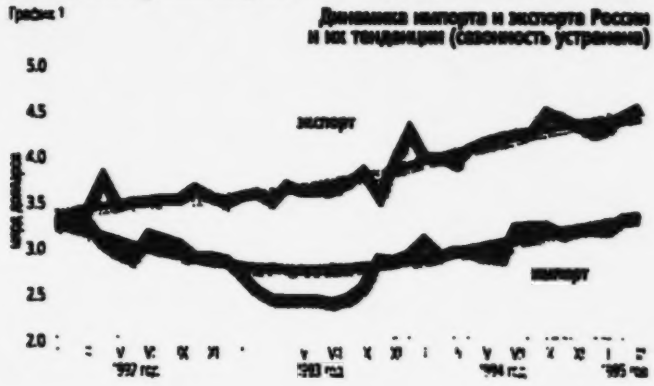
Graph 1: Dynamics of Russian Imports and Exports, Trends (Seasonally Adjusted; Billions of Dollars)



The increase in exports and imports occurred against a backdrop of declining domestic production, which increased our economy's dependence on the world economy. That is to say, revenues in virtually every sector of the economy—trade, banking, a significant portion of industry, and agriculture—were to an ever greater degree determined by Russia's relations with the outside world. It would serve no purpose to classify that fact as positive or negative without taking the domestic situation into consideration. A high level of dependence on imports and exports is typical of both rich and poor countries. However, rich countries that have a large export-import component in their national income generally export highly specialized products, thus allowing them to a certain extent to dictate their prices on foreign markets. Typical in that regard is Germany, where a large portion of the country's exports are products of the machine-building and chemical industries for which there are no analogous products made in other countries. Those countries' strong economic and, in some cases, political positions allow them to take full advantage of the factor of potentially strong foreign competition to maintain high efficiency in their domestic production.

This was what we were hoping for when the decision was made to open our country up to the outside world as much as possible. However, the foreign competition factor by itself means nothing—it can only stimulate a process of increasing production efficiency that is already underway. In the situation of complete weakness in the domestic economy, competition, as we have seen, results in suppression of domestic production and often even leads to poorer quality as a result of the need to hold down costs.

The government's unsuccessful attempts to rein in inflation, unstructured and in many cases excessive restriction of the money supply, the unwillingness and inability to facilitate development of high-technology products and market penetration of foreign markets by those products, the lack of consistent protectionism in favor of domestic manufacturers and, finally, the absence of an investment strategy have resulted in weakening of the country's economic potential and increased demand for imported products, and in the least elastic market segments at that.

Even the policy of managing the exchange rate, which is best adapted to the liberal concept, has not been pursued, with rare exceptions, in the interest of the domestic producer. As we have repeatedly noted, restricting the rise in the dollar exchange rate at a time when it was impossible to restrain inflation resulted in an almost threefold strengthening of the real ruble exchange rate in 1993, in turn increasing the effectiveness of imports and decreasing the effectiveness of exports.

It is only natural that the country's economic situation, worsening in every regard, has not been slow to be reflected in foreign trade figures. Graph 2 illustrates the dynamics of the balance of trade in 1993-95. Notably, **during the first half of 1994 the dynamics of the balance of trade reversed, with growth replaced by decline.** If one assesses this change using trends, for the year as a whole the balance declined by 15 percent. This turnaround could have extremely negative consequences for our positions in the world economy. Until now the fact that the balance of trade was improving confirmed our solvency, and Russia's position as a trading partner of the developed countries was given at least a little consideration. If it becomes clear that Russia is not in

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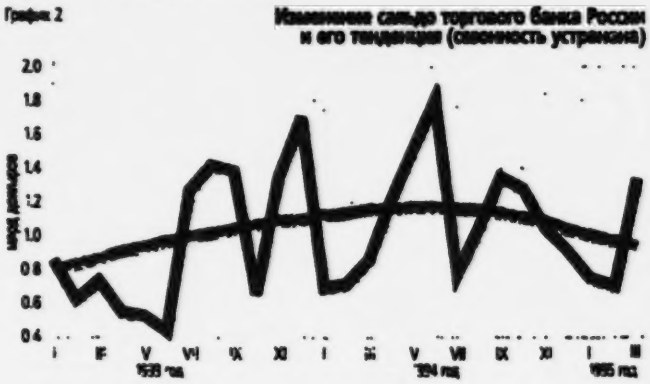
a position to pay its debts, then the attitude toward it in the outside world, God only knows not a liberal one even now, will further worsen.

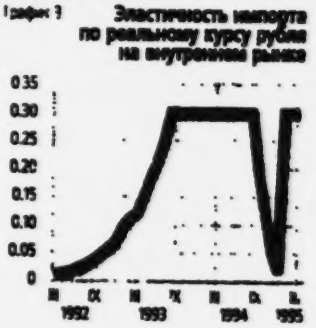
Graph 2: Change in the Russian Trade Bank Balance; Trends (Seasonally Adjusted; Billions of Dollars)



It is clear that there exists a rather large number of factors that determine the size of export and import flows. However, our country has no well-established system of indirect foreign trade regulation, there is no government investment and innovation policy, and hence the principal factor that determines the dynamics of our foreign trade operations is, as we have already noted, the exchange rate.

Quantitative analysis of the connection between the volumes of import and export flows allows us to estimate the change in the degree of dependence of foreign trade turnover relative to shifts in the real ruble-dollar exchange rate. Graphs 2 and 3 show the dynamics of import and export elasticity relative to the real exchange rate. Logically, strengthening the ruble on the domestic market should result in increased imports, due to the ruble's greater effectiveness. The corresponding weakening of the dollar on the domestic market should result in a relative decline in exports. As the exchange rate nears parity, the dependence of foreign trade flow volume on the exchange rate should intensify.

Graph 3: Elasticity of Imports Relative to the Real Ruble Exchange Rate on the Domestic Market



As we can see in Graph 2, the stronger ruble exchange rate in 1993 (due, in part, to an increase in per capita income from $20 per month to $90-100 per month at the beginning of 1994) caused an increase in the elasticity of imports relative to the exchange rate from

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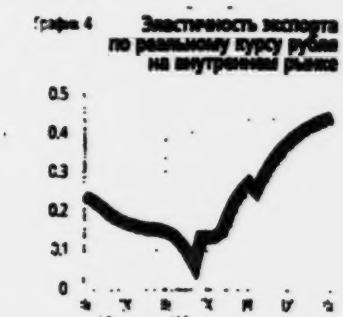
0 to 0.3. This level proved so stable that even after a dip during the period of the infamous "Black Tuesday" (the sharp swings in the exchange rate during this brief period naturally could not cause a noticeable import reaction due to inertia, which is inherent even in trade), at the start of the current year elasticity returned to its previous level. Under current conditions an increase in the ruble exchange rate by 10 percent results in a 3 percent increase in imports.

As for exports, their reaction to the weaker dollar on the domestic market, as was to be expected, showed up after a lengthy delay, as both opportunities for expanding and restricting export flows of raw materials and resources of effectiveness are greater than for imports. However, by the beginning of 1994 the role of these factors was exhausted. The elasticity of exports relative to the exchange rate began to increase, and by the beginning of 1995 had reached a level of 0.45. Calculations indicate that **at current levels of elasticity it would only be necessary to strengthen the actual ruble exchange rate by 38 percent in order to achieve a zero balance of trade.** This could occur in the foreseeable future. In 1994 the actual exchange rate increased by 14 percent, and currently the nominal dollar exchange rate is actually going down, despite an inflation rate of 6-7 percent per month. It is clear that the nominal exchange rate will begin to rise again soon, but if the government continues to regard it as a "price anchor," then strengthening of the ruble by 7-10 percent over the course of the year is a fully realistic prospect. That is to say, currency policy methods can be used to achieve a negative balance of trade within just a few years time.

Graph 4: Elasticity of Exports Relative to the Real Ruble Exchange Rate on the Domestic Market



As it assesses the outlook for changes in its balance of trade, Russia must take one other very negative factor into consideration. Analysis of change in the import structure in 1994 relative to 1993 indicates that the majority of growth in import shipments was in the area of food products and agricultural raw materials (see table). These markets are nonelastic in terms of both consumption and domestic supply. That means that it would be difficult to decrease demand for imported foodstuffs simply by raising import duties. Just as it would be difficult to expect now, after the sharp decline in production that has occurred in agriculture and the food industry, any rapid growth in domestic supply in response to higher prices. Thus it will not be possible to improve the balance of trade through reduction of imports in the near future. Nor will it be possible in the longer term, if the government continues to ignore agriculture as an area to be protected.

As for our country's export positions, they have always been fairly weak, because we are active in raw materials markets that are difficult to control from outside. However, the colossal volume of shipments to Germany is reason for some optimism. Since that country is currently entering a growth phase, its demand could help stabilize our exports.

In addition to the weakening of our positions in the world economy that could occur in response to a negative shift in our balance of trade, it could quite possibly also negate all that has been achieved with regard to financial stabilization domestically. As the balance of trade approaches zero, the currency supply will shrink and demand will increase. That will drive the exchange rate even higher, and the Central Bank will have to work ever harder to smooth out shifts in the dynamics of the exchange rate. The Central Bank's position will become more difficult, because as demand for its reserves increases, their relative "value" also increases: foreign lenders could insist on stricter debt service terms as the balance of trade worsens. A swing in the currency market would result in further widening of the earnings gap among financial market instruments, which would increase the speculative attractiveness of financial instruments and would once again drive funds out of the real sector. At the same time, the cost of credit resources would go up. As a result, the production sector would once again find itself faced with severe cash-flow constraints, leading to a new spiral of production decline, greater dependence on imports, and a loss of export potential. Thus it is that our country's economy now finds itself on the verge of a delicate balance, disruption of which could have very serious consequences not only for the country's position in the world market, but also from the standpoint of internal stability.

In view of the very dangerous trends that have emerged in the area of foreign trade, the decisions made by

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the government with the objective of improving foreign trade regulation—repeal of import exemptions, introduction of higher import duties, and Duma passage of a foreign trade law—are very necessary yet insufficient to stabilize Russia's position in the world market, much less improve that position. Opportunities to regulate export and import volumes will to a significant degree be restricted by the structure of commodity flows and the structure of domestic production. Current structural factors do not allow us to anticipate that the domestic market will be able to respond adequately to the regulatory measures now being taken in the area of foreign trade. To accomplish that the government must change the correlation between its objectives and its priorities. As long as structural support for production and investment development continue to be plundered for the sake of dealing with budgetary and inflation-related problems, it will be impossible to achieve any improvement in Russia's world trade positions.

Table: Structure of Foreign Trade Turnover

Exports (Millions of Dollars)	1993	1994
Foodstuffs and Agricultural Raw Materials (Nontextile)	1,665.6	2,099.6
Mineral Products	20,669.2	21,944
Chemical Industry Products	2,662.3	3,850.6
Leather, Fur, Items Manufactured From Them	84.2	162.1
Wood and Paper Products	1,873.8	2,118.9
Textiles and Textile Products; Footwear	194	435.8
Precious Stones, Precious Metals, Items Manufactured From Them	3,019.5	3,238.5
Metals and Metal Products	7,253.1	9,903.8
Machinery, Equipment, and Vehicles	2,880	2,474.3
Other Goods	3,994.7	3,707
Imports (Millions of Dollars)	1993	1994
Foodstuffs and Agricultural Raw Materials (Nontextile)	5,951.1	8,277.4
Mineral Products	1,072	1,120.4
Chemical Industry Products	1,664.7	2,970.4
Leather, Fur, Items Manufactured From Them	702.3	154.3
Wood and Paper Products	142.1	461.6
Textiles and Textile Products; Footwear	3,718.1	2,073.7
Precious Stones, Precious Metals, Items Manufactured From Them	111.2	21.5
Metals and Metal Products	827	1,026.3
Machinery, Equipment, and Vehicles	9,060	10,062.5
Other Goods	3,557.2	1,967

*Current State of Diamond Industry Viewed

954E1099A Moscow IZVESTIYA in Russian 15 Jun 95 p 5

[Article by IZVESTIYA correspondent Elmar Guseynov: "Diamonds Are Forever or What De Beers Fears and Russia Does Not"]

[FBIS Translated Text] They never tire of repeating to you the delicate myth of the trust on which the world trade in diamonds is based at 17 Charterhouse Street in London, where, located in two large buildings which occupy the whole block, sits the headquarters suite of the world's most striking commercial trade empire — the De Beers diamond cartel. It handles 85 percent of all diamonds before they end up on the tables of the cutters and jewelers.

Here, hundreds of highly skilled specialists, with time and resources to spare, are engaged in the study and shaping of the rough- and cut-diamond markets. Here, they know how many and what kinds of rings or earrings with diamonds are being purchased for women in the USA, Japan, Germany and Pakistan and they know on which occasions and at what time of the year people prefer to make such purchases.

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Here, they create advertising campaigns which are stunning in their complexity and elegance and special ones, with due consideration of national and religious characteristics for each country and region.

Here, they know everything about rough and cut diamonds, except for one thing: how Russia will conduct itself in these markets in the immediate future.

The battle of the world diamond titans, the De Beers Corporation and Russia, is for enormous amounts of money and for power — for the power which confers the right to sell rough and cut diamonds to the women of the entire world and this is a market of infinite capacity. Perhaps this is why the De Beers' motto is "Diamonds Are Forever."

The motto of our rough- and cut-diamond merchants is a bit more modest. It goes something like this: "Let them fear us." In order to understand the reason for the relentless battle on the rough- and cut-diamond fronts, it is necessary to turn to history.

Aleksey Kosygin's Seven Dear Children

When, in 1954, the first Soviet gem-quality diamonds were found in the Vilyuy River in Yakutia, no one had the slightest idea how they might be used. We proceeded along two roads in the diamond business, which led in different directions. In 1959, the first agreement was concluded with De Beers on selling the rough stones. But, in the beginning of the sixties, the first and, up till now, the largest plant for producing cut diamonds in Russia and, perhaps, the world, was constructed in Smolensk.

This laid the foundation for the break with the tradition, on which the rough- and cut-diamond business has been built over the course of centuries. The fact is that, by the whim of fate, diamonds are mined in certain countries and cut in others.

It is precisely on this tradition that the Central Sales Organization (TsSo [CSO]) — a De Beers subsidiary and the commercial heart of this empire — has been conducting its business since the beginning of the thirties. Buying from the producers almost all the gem-quality diamonds and then selling them to the consumers, the CSO became almost the sole source, through which the precious stones could get into the market.

Aleksey Kosygin took the development of the lapidary industry in the USSR under his own wing.

Cut-diamond production was established on a genuinely Soviet scale: in the sixties and seventies, five identical plants were constructed according to a common plan; in Gomel, Kiev, Vinnitsa, Barnaul and Norachen [Nor Achin], near Yerevan. A Moscow plant was constructed according to a special plan. Together with the Smolensk giant, all these factories made up the system of Kristall [Crystal] plants — the basis of the USSR's lapidary industry.

The domestic cut-diamond merchants, who had the main thing — their own sources of supply for the raw materials, increased the production and exporting of cut diamonds annually. Whereas in 1990, the USSR produced cut diamonds worth $580 million, in 1993, Russia produced $640 million worth of them and, in 1994, approximately $800 million worth. The total volume of the exporting of cut diamonds, semimanufactures and customer-supplied raw materials in 1994 amounted to not less than $1.5 billion. This year, according to our estimates, it will reach the level of $1.2 billion.

What makes this sector especially valuable is the fact that the production of cut-diamonds in Russia is a purely export-oriented production: up to 98 percent of the finished stones go abroad.

In the last few years, the number of enterprises of all forms of ownership for the production of cut diamonds increased in Russia from 10 to 125. It is true that no more than 40 of them have practical production capacities. Some firms, established by specialists with many years of experience, such as Intertreyd [Intertrade], headed by Yu. Chernikov, or L. Levayev's Ruis daymonds [Ruis Diamonds], have reached the production volume level of the "old" plants of the Kristall system and have long since surpassed them in operating efficiency.

The Fewer Cut Diamonds We Produce, the More Money We Receive

The cutting industry's rapid development has led to a real hunt for experienced cutters.

An exodus of personnel is occurring from the remaining plants into commercial firms. In them, the cutters are sometimes paid up to $1,000 a month, while the wages at the state enterprises amount to 1-3 million rubles. They are also enticing workers from the near abroad — from Ukraine and Belorussia.

The increase in wages is making unprofitable the production of the traditional Russian assortment of cut diamonds — small stones up to 0.2 carat in size. Yet these are precisely the ones which made up more than 80 percent of the Soviet production and exporting of cut diamonds.

Today, because of the sharply increased wages and the overhead costs of Russia's producers, they are being crowded more and more by the cut-diamond merchants

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from India, who are offering the same commodity, but at lower prices. And the Russian producers have to increase more and more the share of large stones which, at the same time, are being produced from raw materials which are far from top quality.

In addition, the increase in the number of cut-diamond factories as a whole has led in recent years to a sharp increase in that share of the raw materials which are going not for export, but rather to Russia's producers. According to our estimates, in 1995, the domestic cutting industry will receive around 5 million carats of rough diamonds. And it is precisely in the rapid increase in the consumption of rough diamonds by Russia's industry that, in fact, the genuine sources of the conflicts between our country and De Beers lie.

Even in the next few years, Russia may simply not have enough rough diamonds to satisfy completely both the domestic producers' requirements and De Beers' needs.

Why Russia's Bolivar Will Not Endure Two

Currently, according to the agreement with De Beers, 95 percent of all of Russia's rough diamonds being exported are being sold through the CSO. According to our estimates, this comes to around 8.8 million carats with a value of around $1.2 billion. Around 20 percent of this quota is made up of rough diamonds belonging to Yakutia. Russian rough diamonds amount to 26 percent of De Beers total sales volume, which came to $4.25 billion last year.

The precise amount of rough diamonds mined in Russia is a state secret. It is known that, in the eighties, our country extracted from the depths up to 40 million carats of these precious stones annually. The share of gem-quality raw materials varied from 14 million carats in 1981 to 10.3 million carats in 1985. The current level of diamond mining in Russia — and Yakutia's kimberlite pipes and fields supply 98 percent of them — can be estimated with a great degree of certainty to be 11 million carats.

When a comparison is made of the scope of the raw materials delivered to domestic producers with the volume of the deliveries to De Beers, it becomes clear: Russia does not have enough production to fulfill all its obligations. The shortage of rough diamonds — it can be estimated to be 2.5-3 million carats annually — is being covered using old reserves concentrated in Russia's Komdragmet [Committee on Precious Metals and Precious Stones]. According to some data, it may be assumed that, at present, it comes to around 28-30 million carats. Given the present rate of use of the rough diamond raw materials, by the year 2000, these reserves may be almost completely exhausted. Russia must choose to whom to supply rough diamonds first — it's own producers or De Beers.

In Russia's Committee on Precious Metals and Precious Stones, the institutions which have been entrusted with control over the rough- and cut-diamond sector and the determination of the strategy for its development are not experiencing any doubts on this matter. On the instructions of Russia's president, a state program is being readied here for the development of the cut-diamond industry for the next few years, which, as may be assumed, will stipulate the priority supplying of domestic producers even to the detriment of the deliveries of raw materials for exporting.

Judging by everything, this turn of affairs, to put it mildly, is objectionable to De Beers.

The trading of rough diamonds through the CSO is not so much a source of revenue for De Beers as it is a tool for maintaining the high prices for the output of its own diamond mines in the YuAR [Republic of South Africa], Namibia and Botswana. After all, its own stones make up 50 percent of the CSO's turnover.

And here we have come to the most disputed part of the mutual relations between De Beers and Russia's rough-diamond merchants. The discussion is about transactions involving the so-called customer-supplied raw materials, which testify to the almost brilliant resourcefulness of our domestic businessmen.

Russia's enterprising businessmen are establishing joint ventures with foreigners who have their own cutting industry abroad, are receiving rough diamonds for processing and are then exporting a large part of them in the form of customer-supplied raw materials for cutting at the main enterprise of a firm somewhere in Antwerp. Later, the output is then sold in the form of cut diamonds. Formally, the agreement between Russia and De Beers is not being violated, but this practice is taking the market away from the cartel.

According to our data, up to 30 percent of the raw materials being supplied to the domestic producers for cutting is leaving in this manner. In 1995, the volume of such deliveries may reach 1.5 million carats. Taking into account the fact that the raw materials being delivered to Russia's producers is of a higher quality than that being received by De Beers, the deliveries of customer-supplied raw materials to the far abroad may amount in value to around $450-500 million. And this is 15-20 percent of De Beers' total annual turnover. In addition, De Beers is certain that the raw materials are being exported in this manner not for cutting, but rather, for resale as raw materials.

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De Beers' specialists evidently overlooked the transactions involving customer-supplied raw materials during the drawing up of the agreement in 1990. I think that this occurred because, over the years of contact with Soviet officials, De Beers' managers got used to the fact that the Russians kept their word firmly and followed not only the letter, but also the spirit of concluded agreements. De Beers' executives did not consider the possibility of the destruction of the USSR and the relaxing of the strict monitoring of the proper fulfillment of deals.

Why They Are Striking Bargains in Antwerp

It was not very lively in the spacious, high hall of Antwerp's diamond exchange. There were just two dealers sitting in one corner, carefully examining in their loupes the rough diamonds spread before them on small sheets of paper.

Several minutes passed, when one of the dealers lowered his loupe, leaned back on his chair and, after waiting a minute, extended his hand to his partner.

"That is that," Mr. Ize Beck, the president of the exchange, commented on this scene, "the deal has been concluded. It is not necessary to sign a paper."

The exchange's chairman showed us immediately what can happen to the violator of such an oral agreement. On the vast stand at the entrance to the exchange were hung around 40 sheets with photographs and complete information on persons who had violated orally concluded agreements. A person who has been blacklisted can no longer show up at a single one of Antwerp's 4 rough- and cut-diamond exchanges or 23 similar exchanges in other countries.

The two traditions driven into the consciousness of diamond dealers —trust in a man's word and fear in the face of the possibility of the market's destruction — determine and will determine all their actions with respect to the management of the enormous and powerful machine which is De Beers today.

Discussions in London with those who currently determine De Beers' policy, its directors — the CSO's president, Anthony Oppenheimer, Executive Director Harry Reif and the executives of the cartel's Russian service, leave a two-sided impression. Here they feel sincerely and frankly about the state of the market which, so it is believed, will not endure the increasing selling of customer-supplied raw materials from Russia. And, as was indicated to me, they do not really understand here, what needs to be done in the situation which has emerged.

The situation is being aggravated by the fact that, in my opinion, they are not ready on Charterhouse Street to acknowledge the change in realities in Russia's rough- and cut-diamond complex. It seems that De Beers' executives are leaning toward the tactic of putting forward additional, harsher terms in the negotiations with Moscow on the concluding of a new trade agreement, about which IZVESTIYA has already written.

Thus, in particular, in these negotiations, De Beers' representatives are pressing the idea of selling to the cartel the entire 100 percent of the rough diamonds being mined in Russia. And that the supplying of all of Russia's cut-diamond producers be implemented henceforth via De Beers' channels.

The Russian side is flatly rejecting this proposal, assuming that, by arbitrarily setting the prices for Russia's citizens and by selecting for them raw materials of a specific quality, De Beers may simply, when desired, suppress Russia's cut-diamond producers.

What will happen if the titans of the world's rough diamond business do not reach an agreement? This is the answer I was given to this question in Antwerp: if the agreement is not renewed prior to August of this year, the dumping of "surpluses" will begin — both rough diamonds and cut diamonds. In any event, the prices will reel.

In our country, in the Committee on Precious Metals and Precious Stones, the response went approximately like this: but nothing will happen. If we do not sign a new trade agreement with De Beers, then, we will trade our rough diamonds ourselves. So the most interesting thing in the battle of the diamond giants, judging by everything, lies ahead.

***Documents Regulating Use of Mineral Resources Published**

Order from Geology, Resources Committees

954E1057A Moscow ROSSIYSKAYA GAZETA in Russian 7 Jun 95 p 5

[Text, under the rubric "The Right To Use Mineral Resources," of Order No 65 of the Russian Federation Committee for Geology and the Use of Mineral Resources, dated 18 May 1995, city of Moscow]

[FBIS Translated Text] In connection with the adoption by the State Duma on 8 February 1995 of the new edition of the Russian Federation Law "On Mineral Resources" which envisions the possibility of reregistering licenses for the right to use mineral resources, I order the following:

1. Ratify the attached Instruction on the Procedure for Reregistering Licenses for the Right To Use Mineral Resources.

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2. The territorial subdivisions of Roskomnedra [RF Committee for Geology and the Use of Mineral Resources] must accomplish the reregistration of rights to use mineral resources in strict accordance with the new edition of the Russian Federation Law "On Mineral Resources," the Russian Federation Civil Code (Part 1), and the Instruction mentioned.

First Deputy Chairman, V. P. Shcherbakov

Russian Federation Ministry of Justice

REGISTERED on 25 May 1995, Registration No 860

Instructions on Reregistering Licenses

954E1057B Moscow ROSSIYSKAYA GAZETA in Russian 7 Jun 95 p 5

[Text of "Instruction on the Procedure for Reregistering Licenses To Use Mineral Resources"]

[FBIS Translated Text] The present Instruction was developed in accordance with the new edition of the Russian Federation Law "On Mineral Resources" adopted in the State Duma on 8 February 1995 and the Russian Federation Civil Code (Part 1), which went into effect on 1 January 1995, and defines the procedure for reviewing questions involving the reregistration of rights to use mineral resources.

The Instruction is mandatory for all legal and physical persons applying to obtain the right to use mineral resources by reregistering licenses, regardless of their affiliation, forms of ownership, or organizational-legal form.

I. General Provisions

1. The transfer of the right to use mineral resources and the reregistration of licenses to use natural resources are accomplished in accordance with the Russian Federation Law "On Mineral Resources" and the Russian Federation Civil Code.

In accordance with Article 17-1 of the Russian Federation Law "On Mineral Resources," the right to use mineral resources is transferred to another subject of entrepreneurial activity (legal person) in the following cases:

1) when the organizational-legal form of the enterprise (organization) which utilizes mineral resources (henceforth called mineral utilization enterprise) changes;

2) when the mineral utilization enterprise is reorganized by annexing another enterprise or merging with another enterprise, if the right of ownership to at least half the capital stock of the newly created enterprise belongs to the former mineral utilization enterprise;

\3 3) when the mineral utilization enterprise is reorganized by dividing or separating out another enterprise from it and the newly created enterprise continues to operate in accordance with the license on the previous user's sector.

When the right to use mineral resources is transferred, the license must be reregistered. Here the content of the license is not subject to revision.

Reregistration of the license is also mandatory when the name of the mineral utilization enterprise is changed.

2. In accordance with Article 9 of the RF Law "On Mineral Resources," subjects of entrepreneurial activity may be users regardless of the forms of ownership, including legal persons and citizens of other states, if Russian Federation legislation and the legislation of the subjects of the Russian Federation assign them the right to engage in the particular type of activity to utilize the earth's interior.

The Russian Federation Civil Code introduces the concept of a "legal person which is a commercial organization." In connection with this, the terminology of the Russian Federation Civil Code should be used when the license to use mineral resources is reregistered.

3. A change (transformation) in the organizational-legal form of legal persons which are commercial organizations (economic partnerships and companies, production cooperatives, and state and municipal unitary enterprises), including the privatization of enterprises which are mineral resource users, is accomplished in accordance with the Russian Federation Civil Code, other legislative enactments, edicts of the president of the Russian Federation, and decrees of the Russian Federation Government.

4. In accordance with the Russian Federation Civil Code, the reorganization of a legal person (merger, annexation, division, separating out, or transformation) may be carried out by decision of its charter members (participants) or the organ of the legal person the charter documents authorize to do so.

The reorganization of state and municipal unitary enterprises is carried out in the manner established by legislation.

5. The mineral utilization enterprise (the holder of the license) may pursue preliminary agreement on the possibility and conditions for reregistering the license to use mineral resources in the organs which granted the license.

6. The decision on reregistering the license to use mineral resources is made by the organs which granted

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the initial license. In cases where the recipient of the reregistered license is a legal person and one of its charter members is a foreign legal person, the license is signed by Roskomnedra and the organ of executive power of the appropriate subject of the Russian Federation.

The formalization, registration, and issuance of the license to use mineral resources are accomplished by the Russian Federation Committee for Geology and the Use of Mineral Resources (Roskomnedra) or its territorial subdivision in accordance with the requirements of the Russian Federation Law "On Mineral Resources."

7. A refusal to reregister the license may be appealed by the mineral resource user in a judicial proceeding.

II. Requirements for the Documents Presented for Reregistering the License To Use Mineral Resources

8. The decision to reregister the license to use mineral resources is made on the basis of the right of legal succession. In all cases of transformation or reorganization of legal persons, the document which allows questions involving legal succession to be decided is either the transfer certificate or the division balance, which must include a provision on legal succession of all obligations related to the use of mineral resources (articles 58 and 59 of the RF Civil Code).

9. The following applications are submitted simultaneously to Roskomnedra or its territorial subdivision to reregister the license to use mineral resources:

from the holder of the license—in this application the holder gives consent to reregister the license and indicates the legal person to whom it is proposed to reregister the license (in the event the holder retains the status of a legal person at the time the application is submitted);

from the legal person applying to obtain a license—this application contains a request to reregister the license, indicates the grounds for reregistration established by legislation, and in addition expresses consent to assume the obligations on the license issued earlier, including those not fulfilled by the previous holder of the license at the time the application is submitted.

10. Attached to the application of the legal person applying to obtain a license are information on his registration and, depending on the legal person's organizational-legal form, the charter, the charter contract and the charter, or the charter contract alone.

11. Information on registration and charter documents are submitted when the license is reregistered in connection with a change in the name of the mineral utilization enterprise.

12. When a license is reregistered in the event of a change in the organizational-legal form of the mineral utilization enterprise (transformation of one type of legal person into a different type of legal person), the legal person applying to obtain a license must submit a transfer certificate which must definitively reflect the legal succession of this legal person to the particular sector of the earth's interior.

13. When the license is reregistered in the event of the reorganization of the mineral utilization enterprise through annexation of another enterprise or merging with another enterprise, the legal person applying to obtain the license must submit a transfer certificate which must definitively reflect the legal succession of this legal person to the particular sector of the earth's interior.

14. When the license is reregistered in the event of the reorganization of the mineral utilization enterprise by dividing or separating a different enterprise out of it, the legal person applying to obtain the license must submit a division balance which must definitively reflect the legal succession of this legal person to the particular sector of the earth's interior. Moreover, this legal person must submit information to prove that he continues to operate in accordance with the license for the sector of the previous mineral resource user.

15. When the license is reregistered in cases of reorganization of mineral utilization enterprises through annexation of another enterprise or merging with another enterprise, the condition of Point 2 of Article 17-1 of the Russian Federation Law "On Mineral Resources" in terms of at least half of the capital stock (charter or stored ["skladochnyy"] capital) of the newly created or reorganized enterprise belonging to the former mineral resource user must be observed.

16. If the mineral utilization enterprise has several licenses to use mineral resources, each license is reregistered separately.

17. In the event the mineral utilization enterprise acts as a charter member of a new legal person (including an enterprise with share participation of foreign investments) specially created to continue operating in accordance with the conditions of the license for the mineral utilization enterprise's sector, the license may be reregistered to this legal person under condition that in accordance with Point 2 of Article 17-1 of the Russian Federation Law "On Mineral Resources," at least half of the capital stock of this legal person belongs to the former mineral utilization enterprise.

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III. The Procedure and Time Period for Reviewing Materials on Reregistering Licenses To Use Mineral Resources

18. Documents submitted to reregister licenses to use mineral resources are reviewed by Roskomnedra or its territorial subdivision within a period of up to 30 days, and in the event they are declared to meet the established requirements, they are sent to the organ of executive power of the appropriate subject of the Russian Federation to reach a coordinated decision.

19. Roskomnedra or its territorial subdivision has the right to conduct an expert review of the documents submitted. In this case the deadline for checking the documents established by Point 18 of the present Instruction can be raised to 60 days.

Organs which grant a license have a right to refuse to reregister a license if this reregistration does not meet the conditions and requirements established by legislation; written notification of the reasons for the refusal must be given to the applicants.

20. A license is reregistered after the adoption of the official decision and the return of the license for the right to use mineral resources issued earlier, which is surrendered to the archives for safekeeping. The reregistered license is given a new ordinal number but the indexing which characterizes the type and form of license is retained.

When a license for the right to use mineral resources is reregistered, no changes may be made in the conditions under which the initial license was issued.

21. A licensing fee which provides for reimbursement of expenditures for the expert review, materials, and reregistration of the documents is charged in the established manner to reregister a license to use mineral resources.

IV. Issuance of a Duplicate License To Use Mineral Resources in the Event It Is Lost

22. In the event a license to use mineral resources is lost, at the written request of the holder of the lost license, a duplicate is issued on the basis of copies of licensing documents; the registration number and index of the previous license are retained and the license certificate is stamped "Duplicate" in the upper righthand corner.

*Land Reform Importance Stressed; International Support Discussed

Committee Chairman Komov Interviewed

954E1031A Moscow ZEMLYA I LYUDI in Russian 28 Apr 95 No 17, p 3

[Interview with Nikolay Vasilyevich Komov, chairman of RF Committee on Land Resources and Land Management, by P. Shcherbakov; date and place not given: "Only Land Makes a Society Rich"]

[FBIS Translated Text] **The draft Land Code was submitted to the State Duma for consideration at the end of March. The deputies' discussion of it, however, was brief and devoid of any particular enthusiasm. It seemed as though the people's representatives who addressed this topic in the lower house of parliament were moved more by their emotional responses to the document than by a sound knowledge of the different sections of the draft and the mechanism for their enactment. This is probably why the deputies decided it would be better to send the document back for revision. But is it for the better? This is not an idle question, and this is how we began our conversation with Chairman N. Komov of the RF Committee on Land Resources and Land Management, one of the authors of the draft Land Code.**

[Komov] Unfortunately, no. Delays in passing this exceedingly important law, and I would even call it a fundamental law for any civilized country, will not be better for the state or for the people. The absence of this document will create favorable conditions for lawlessness and excesses in transactions with land, which could grow to such proportions that they will be difficult to stop. I see no need to cite any specific examples, because many Russian citizens have already heard enough stories about land disputes and abuses.

[Shcherbakov] Nikolay Vasilyevich, any state—and we know this from world experience—must begin its economic ascent with an economically sound and legally secured state land policy. Does Russia have this kind of policy?

[Komov] A state can only have a land policy when it has a reliable legal and economic mechanism for the regulation of land relations. I want to stress that this must be a state mechanism, and not a private, collective, or cooperative one.

What will this entail? Above all, we need a law—the selfsame Land Code. It, after all, will serve as the basis for a whole set of other laws. Therefore, even a slight delay in passing the code could lead to many months of procrastination in the passage of the whole group of

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land laws. It is a pity that many State Duma deputies do not understand this.

[Shcherbakov] Do you really believe they do not understand this?

[Komov] I would like to believe it. After all, they are supposed to be statesmen, and state interests should prevail over the immediate group interests of politics.

[Shcherbakov] Nikolay Vasilyevich, would you agree that the majority of deputies, not to mention their constituents, simply do not comprehend the very concepts of land policy and land relations? For this reason, I would like to ask you to explain these terms to us and tell us about the set of documents which will, we hope, be passed soon.

[Komov] I cannot disagree with your statement. I should start by saying that the land not only provides us with food and drink, but also with living space and shelter, protecting each individual and the state as a whole. That is why we have to appreciate the value of every inch of territory—our rural and urban lands, our bodies of water, our forests, and the territories used by the defense complex. This is extremely important. After all, any physical asset is of a temporary nature, and only the land is eternal—this is how it is viewed virtually throughout the world.

Here is just one example. Four years ago a major land appraisal project was completed in China, and it turned out that the nominal value of the land was greater than the value of the whole national economic infrastructure. In other words, everything the Chinese people had created over the centuries could not compare to the value of the land. A new and tremendous asset is being circulated there, and it could be the basis of today's rapid economic growth in China.

[Shcherbakov] Is that why Russian agriculture is sometimes referred to as a "black hole," because it is based on a free gift—the land?

[Komov] That is the precise reason. If the land were to have a price, and if it were the actual price, no one would ever dream of referring to agriculture in such contemptuous terms. I am certain that when everyone, including everyone in the Russian Ministry of Economics and Ministry of Finance, knows the actual value of the land, there will be no more talk about the debts of the peasants. I am certain that the state itself will be in debt to them, and it will have to pay them if it wants them to feed the country's 150 million people.

Before anyone can answer any questions about the value of Russian land, we have to make careful studies of the state of the land, know exactly how much land there is, appraise it accurately, and include the cost in the value of fixed capital. That is why the passage of another law—"On State Land Valuation"—is so important. It has been drafted and is scheduled for discussion by the State Duma.

[Shcherbakov] Fine, let us be optimists and assume that the Duma will pass this law and that it will go into force. Then what?

[Komov] Then each person who owns land will have to be registered. Records will have to be kept of how much land the person has and of the grounds on which he acquired this land—i.e., what he can and cannot do with it. This is extremely important. We have to remember that the Russian Constitution says that the land is the property of all the people living within a given territory. Therefore, no one has the right to do whatever he wants with the land. Incidentally, this is common practice, and the rule is observed scrupulously everywhere in the world.

The most important condition of land relations is the demarcation of property. I repeat, the most important. For this reason, as soon as we know the current state of the land and the value recorded in the land valuation register, the exact boundaries of separate parcels of land must be determined as soon as possible. The land has to belong to someone—the federation, the municipality, or the federation member. In connection with this, another draft law has also been prepared "On State and Municipal Lands."

I have to point out that each of these laws individually and all of them combined will be strong and effective only when there is a normal mechanism for the state-controlled circulation of land—in other words, a land market. I want to stress that this must be a state-regulated market.

[Shcherbakov] Nikolay Vasilyevich, you probably will agree that a market is still a market even if it is enveloped in state regulation. Everything in a market, obviously, is for sale. Does this mean that the land can be sold freely?

[Komov] Regrettably, you are not the only one laboring under this misconception.

This misconception is essentially impeding the passage of land laws. I will try to give you the clearest explanation possible.

I should begin by pointing out that all of our efforts are focused on turning the land into capital, and everyone knows that capital is something to be conserved and accumulated, and not something to be squandered.

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Now I can address the misinterpretation of the land market as a series of purchase and sale transactions. It is a fact that no state in the world ever got rich by selling land. This eventually leads only to ruin. The land market primarily consists of taxes on land, taxes on operations with land, purchases of land for state needs, the sale of state lands and property rights, the leasing of land, and so forth. Everyone has to pay for the land, even if only in kopecks.

In a state-regulated land market there must be a strict fifty-fifty balance of interests. In other words, state interests must be balanced completely with the interests of the landowner. If this fragile balance is disrupted, we will return to chaos and neglect in our land relations.

As far as the land tax is concerned, it has to be fair and must be based on the so-called first and second rental fees—i.e., for the quality of the land and for its location. One rent factor should work for the state, and the other should work for the owner. All of this is necessary so that the income from rent in, for instance, Rostov Oblast and the Kuban can be sent to the devastated non-chernozem zone—to Tver and Pskov oblasts, for example.

Now I want to say a few words about land leases. Mankind has never come up with a sounder and more effective mechanism for the state regulation and management of land relations, and I do not think it ever will. The Germans, for example, believe that leasing the land in the eastern territories is much more effective than private ownership of the land, and they are right. It is more convenient, after all, for the state to lease land to those who want land and are able to work it—private farmers, cooperatives, and other users. In this case, they strive for the maximum efficiency of their own labor so that they can earn enough to make a profit, achieve expanded reproduction, and pay the state for the lease. To this end, our committee prepared a draft law "On Leased Land."

[Shcherbakov] But where will the peasants get the money? They have no money to pay for a lease, or even to buy equipment, seeds, fuel, and everything else they need to raise crops and care for livestock.

[Komov] All of that is true. The rural communities are dreadfully poor, but 80 percent of our agricultural land is already privately owned. This represents colossal amounts of capital. Unfortunately, until we know the value of this capital, we cannot make use of it in the proper way. An effective market mechanism has been developed for this purpose and is working well throughout the world—the use of land as collateral. With a short- or medium-term mortgage on part of his land, after all, a peasant could acquire everything he needs for his work. The peasant himself has no other way of getting money quickly. A mortgage is nothing to fear. The thing to fear is the possibility that the bank holding the mortgage might become the owner of the land. Incidentally, many commercial banks do not even want this to happen. That is why a whole system of specialized land banks will be needed, but this does not mean that they will have to be established from the ground up. Existing banks can be encouraged to provide this service by issuing them licenses for operations with land from the Central Bank and our committee.

The whole process will be regulated by the law "On the Use of Land as Collateral," the draft of which has already been prepared and is part of the law "On Mortgages."

The efficient and effective use of the land and its preservation for future generations, however, cannot be accomplished without land management—the kind of land management entailing a combination of legal, economic, technological, technical, social, and political factors. All of this is envisaged in the draft law "On Land Management."

I have already named seven draft laws. These are legislative bills of primary importance, because the move to the market economy, not to mention the normal functioning of any state in general, would be impossible without them. The whole problem here is that they have spent too much time wandering around the corridors of power. Do you remember how the Russian tsars wrote the well-known brief phrase on the title pages of laws—"So be it"—and this was enough for their enactment?

[Shcherbakov] Are you saying that we cannot solve the land problem without an autocratic government?

[Komov] I appreciate the irony, but state interests have to be guarded zealously in any political order. I say state interests because these bills are the main laws for Russia today. They will encourage the observance of state interests and promote economic recovery.

Today people have so much to say about money—or, more precisely, the lack of it—and the holes in the state budget. Here is an example. One-third of the land in the United States is federally owned. Most of the federal lands there are leased and generate colossal amounts of income. This money becomes part of the federal budget and is then used for the support—extremely strong support—of farmers and of local state governments.

Spain has made serious adjustments in its state budget. A state valuation system was instituted there within four years, and now the income it generates for the treasury represents a large part of the budget.

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Why should we not learn from this experience? I am certain that within four or five years, without selling any of the land, we could generate much of our state budget income simply by means of the intelligent circulation of land. This is not a pipe dream or a fantasy; it is a realistic plan. Last year, for example, the Moscow government registered 8 percent of the land users in the city with the aid of the land valuation system we developed, and this added more than a trillion rubles to the municipal treasury. That is the kind of opportunity normal land relations provide; that is the source of investment in the rural community we have been seeking everywhere but in our own country.

The money earned from this should be used primarily for the "Soil Fertility" program. The land requires constant care to work properly and to produce a hundredfold return on our investment.

I should say something about the colossal northern territories where gas, oil, and other useful mineral resources are extracted. There are still no land fees there, and this has led to the barbarous depletion of this resource. Furthermore, now the work there is also being performed by foreign firms and joint ventures, and they do not have to pay these fees either. In many countries, however, at least 10 percent of the value of extracted minerals is deposited in a special land conservation and reclamation fund. What is more, this does not begin on the first day of extraction, but on the day the project is approved. Some of the money could be used for the development of rural communities, because they ultimately feed the workers in the gas and oil industry. With the proper approach, therefore, we could turn these territories into major investors in agriculture.

Today everything seems to revolve around private property. The management of land and the normal state regulation of land relations, however, have been neglected to such an extent that we are in no hurry to even discuss this topic. The question of land, however, has always been the main topic in the state, because it represents a paradigm of the social, political, and economic interests of the whole society. If we make the proper decisions now, we will have a secure and prosperous future.

Land Committee Press Conference on Support from Abroad

954E1031B Moscow KRESTYANSKAYA ROSSIYA in Russian 22-28 May 95 No 19, p 2

[Article by Kirill Kallinikov: "We Need Land Records"]

[FBIS Translated Text] The Russian Land Committee held a press conference in Moscow to announce the start of Project LARIS (Land Reform Support). The project envisages the institution of a land valuation system, modern technology for the compilation of survey maps, and the training of specialists with the necessary skills. The project will be financed by the International Bank for Reconstruction and Development (80 million U.S. dollars) and by the Russian federal budget and regional budgets (35 million dollars).

The project is expected to establish the necessary conditions to protect the rights of Russians to the land and other real property, regulate taxation more effectively, provide informational support for market relations, reduce the number of property disputes, and simplify transactions with land. The project promises a quick return on investments and large sums of revenue as a result of the more efficient collection of the land tax.

Project LARIS will be carried out by the Russian Land Survey Experimental Projects Institute, the Russian Center for the Scientific Support of Land Reform, and other institutes and branches of the Russian Land Committee in 100 rayons in 10 oblasts in the next five years. During the first phase the work will be conducted in Moscow, Samara, Perm, and Nizhniy Novgorod oblasts.

According to Chairman Nikolay Komov of the Russian Land Committee, the question of land is the main issue in our country today, and politicians on all levels must realize this. The treatment of the land in Russia, however, leaves much to be desired, to say the least. The organizers of Project LARIS expect improvement in this area as the work on the project progresses.

Land Reform Discussions Detailed at Press Conference

954E1031C Moscow LESNAYA GAZETA in Russian 17-23 Apr 95 No 14, p 1

[Article by A. Chursin, special correspondent: "Only the Land Can Produce Stability"]

[FBIS Translated Text] **We will remind the readers that the draft Land Code was submitted to the RF State Duma at the end of March this year. The deputies cordially rejected it, however, saying it required revision. I do not know which sections of the extremely important needed this, but there are no plans for its discussion by the legislators in the near future. Apparently, most of the deputies do not realize that we cannot put an end to the present economic chaos without settling the land question.**

I must admit that I did not pay that much attention to our deputies' latest bout of procrastination at the time. They have shelved so many bills with

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extraordinary ease. Any civilized country, however, begins its economic ascent (I am embarrassed to admit that I only learned this recently) by updating its land policy. Invoking an image employed by our pre-perestroyka leaders, we could say that the land question might be the very link that can release the whole chain of our errors in the pursuit of land reform, freeing us from these fetters and allowing us to begin moving steadily toward stabilization.

At this time, of course, this is just another theory requiring careful substantiation. LESNAYA GAZETA was given an opportunity to obtain the proof: The RF Committee on Land Resources and Land Management (Roskomzem) and the Russian Center for the Scientific Support of Land Reform (RosNITs "Zemlya") invited us to their press conference.

Today we are publishing our special correspondent's report of the discussion there.

If You Want To Be a Property Owner, Be One!

In general, they simply wanted to acquaint everyone at the press conference with the international LARIS document on the project for the support of land reform in Russia. This is an extremely interesting agreement on interaction in this area by the Russian Government and the International Bank for Reconstruction and Development, but it will be discussed later.

We will begin with the promised substantiation of the primacy of the land question. Roskomzem Chairman N.V. Komov did this with amazing ease and brevity. Land, he said, is our main natural resource. This is where our whole life begins: The land provides us with food and drink and with living space. Any physical asset is of a transitory nature, and only the land is eternal. This unique property can and must reconcile and unite people with the most diverse political views—leftwing, rightwing, centrist, etc. The only condition is that we must assign priority to the land question in our efforts to build a civilized economy.

What does this mean? First of all, we have to know the exact value of the land and the qualitative features of regions, cities, and neighborhoods. It is not real property, but Mother Earth, that should be categorized as fixed capital. A land appraisal project was completed in China four years ago. What did they learn? They made what could be called a remarkable discovery: The nominal price of the land was much higher than the value of the whole national economic infrastructure that took so many centuries to build. This asset is finally being circulated. It is logical to wonder whether this might be the main secret of the present economic boom in China. We could also wonder whether this is the root of our Russian problems—the fact that we place value on everything but the land and have suicidally postponed the ratification of the Land Code indefinitely. In general, the progress of our reforms is still being affected by the chaotic situation here.

Therefore, the first step in putting things in order will entail a thorough study of all of the parameters of Russia's lands and a sound appraisal. This cannot be done without the law "On State Land Valuation." This has to precede the registration of landowners, during which the state must learn what each owner plans to do with his land. One thing is clear: He cannot "do anything his heart desires."

How can the market economy be reconciled with the need for the state regulation of land relations (or state land valuation)? The answer lies in the definition of the market. In any case, the market is not in full swing in Russia today, and even a civilized market does not exclude the possibility of state participation and regulation. This is why N.V. Komov is certain that land relations between the state and other owners should be a "fifty-fifty" proposition. The violation of these proportions (which is what is being done today) leads to chaos.

Besides this, the market cannot be defined with the banal phrase that "everything is for sale." No state in the world ever got rich by selling land. Taxes are a much more reliable source of income: taxes on the land itself, taxes on all operations with the land, etc. This includes leases, of course. In the United States, for instance, one-third of the land is federally owned. All of this land is leased quite effectively. The profit from this is completely adequate to support farmers and subsidize local governments. In Spain it took four years to institute the state land valuation system. This was not a waste of time either: The country's state budget has been augmented considerably.

The last argument is of domestic origin, so to speak. Last year the government of Moscow registered only 8 percent of the municipal land users with the aid of the land valuation system (just the first stage in this process). This "fraction" alone has already provided the municipal treasury with more than a trillion rubles. This is the Land Code in action, although it has not been enacted yet and is still up in the air.

Our inept reformers and lethargic legislators love to say that Russia will undergo renewal only when all of us become property owners! They should go ahead and give the people a chance to do this, and not simply declare the right to own private property and then wash their hands of the whole matter. The present division and constant reapportionment of property are the result

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of the failure to address this major issue. That is why the paraphrased statement—"If you want to be a property owner, be one!"—is not being voiced as emphatically today. What would it take for us to feel completely secure?

It Is Your Move, Comrade Valuation!

Despite the sluggishness of the Russian legislators, the work on the land reform has not stopped. One of the institutions conducting this work is RosNITs "Zemlya," established in 1991. It had the goal, according to Director V.S. Kislov of the center, of developing an automated land valuation system for the state—the "Russian Land" system—and of drafting legislative instruments and technical instructions on the land reform. The software for the computerized registration of parcels of land in 200 municipal and rayon land valuation bureaus had already been developed by 1994. The center's success was due largely to its work with national land agencies and companies in several Western countries.

That is how the international LARIS project became part of the federal "Russian Land" program. It is an English abbreviation for land reform support in Russia. The project is supposed to take five years, from 1995 to 2000. At this time it covers the territory of 100 rayons in 10 oblasts—Moscow, Nizhniy Novgorod, Perm, Samara, Leningrad, Omsk, Rostov, Orel, Voronezh, and Tula.

Here is the most pertinent question: Who will be financing all of this? The main creditor is the IBRD: It will extend a loan of 80 million dollars. Another 35 million dollars will come from the federal budget and oblast budgets in Russia.

Edward Cook represented the IBRD at the press conference. Of course, everyone wanted to ask him this question: "What interest do you, Mr. Cook, have in extending these funds and taking such an active part in the project?" In addition to everything else, he is one of the administrators of Project LARIS. In my opinion, Cook had a good answer: "We sincerely want your reforms to succeed. Russia should become a country with a stable economy again as soon as possible. Then many people will be eager to do business with your businessmen. There will be a stronger flow of investment from the West. Project LARIS is a sound guarantee of this. The project will help you learn what you need to know about the land (Who owns it and on what basis?) and protect the rights of its owners. The whole civilized world wants this. Our bank, which was founded in 1945, sees its main function as the promotion of the economic development of countries, and that is what we are doing."

The RF Government's agreement with the IBRD went into force this April. There is definitely a great deal of work to be done here. Russia's land resources amount to 1.7 billion hectares, with only 220 million used as agricultural land. What about the rest? So many people are eager to own land today. More than 50 million legal entities and citizens became landowners in just the last three years in Russia. Title documents, however, were issued to only 35 million. Project LARIS will secure the more efficient and competent organization of these operations. This is also relevant because of the rising number of operations with land—leasing, mortgages, sales, inheritance, and so forth. Meanwhile, there is no law....

What is the main purpose of the future project? The head of the project team, Deputy Director G.S. Popov of RosNITs "Zemlya," discussed this in detail. The main purpose of Project LARIS is the institution of an automated land valuation system in some parts of Russia to establish the necessary conditions for the legal definition and protection of the rights of land users, an effective system of taxation and the collection of fees for transactions with land, the use of land as loan collateral, etc.

The project will consist of three parts: A, B, and C. The first is the introduction of the computerized land valuation system. It will be based on a set of Roskomzem documents regulating the standard survey and valuation procedure. Land valuation centers will process information from magazines, books, maps, and the statistical data of local cartographic services. As a result, each owner will receive the title documents for his parcel of land and will be registered as its owner. Changes in property rights will also be recorded here, and the necessary reports, certificates, and other documents may be obtained here. Centers of this kind will be established in the headquarters of Roskomzem and in the offices of oblast and rayon land committees.

The second part is the introduction of modern survey and valuation technology. This could be called the cartographic realm. Its main functions will be the planning and requisitioning of aerial photographs, the processing of this information, the performance of geodesic functions—i.e., the alignment of aerial photographs with a set of fixed coordinates, the establishment of the boundaries of parcels of land, the compilation of maps of the topographic and technical features of parcels of land, the establishment of statistical centers, etc.

The third and final part is the training of personnel and the offer of consulting services. Courses are already being offered in the study of the modern land survey and valuation schools of developed countries, work-

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study programs have been instituted, and operators and technologists are already being trained for the computerized system. The training process envisages help from various firms and specialists, which is being financed by the Russian side. The lion's share of the funds (around 60 million dollars), however, will be used to buy progressive equipment and technology—under the watchful eye of the IBRD representative, of course. We learned at the press conference that Mr. Cook has set rigorous equipment purchase standards. All contracts will be concluded only on the basis of competitive bidding. This approach can only be applauded, of course, because competition is the best insurance against defects and snags in the future land valuation system.

I also asked some questions: Why does Project LARIS not include such prominent Russian granaries as Krasnodar and Stavropol krays? What were the reasons for the decision to confine the project to only 10 oblasts, and for the choice of those specific regions? With a wry smile, N.V. Komov replied: "It was a case of just desserts...." In other words, the work will be done wherever there are funds to cover it. Only four oblasts were chosen for the first phase—Moscow, Nizhniy Novgorod, Penza, and Samara. And the work will be conducted in only three rayons in each of these. Money, money.... The automated land valuation centers will begin operating in these 12 rayons in about a year.

Mr. Komov ended his statement with the reminder that the land "must not be treated only as a commodity to be bought and sold. Its main income yield will take the form of efficient, reliable, leak-proof taxation." He predicted that Russia would lose around 15 trillion rubles in uncollected land taxes this year. It is your move, Comrade Valuation!

Cartoon on Land Distribution

954E1031D Moscow KRESTYANSKAYA ROSSIYA in Russian 17-23 Apr 95 No 14, p 1

[Cartoon by Igor Chelmodeyev]

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Cartoon on Peasant Receiving Land

954E1031E Moscow TRUD in Russian 18 May 95 p 6

[Cartoon by V. Fedorov]

[FBIS Translated Text]

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Armenia

*Scientist Outlines National Ecological Priorities

95WN0185A Yerevan GOLOS ARMENII in Russian 6 Jun 95 p 2

[Interview with Armen Sagatelyan, director of the Center of Ecological Studies, National Academy of Sciences of the Republic of Armenia, by G. Sarmakeshyan; place and date not given: "We Are Ready To Offer Professional Help to Any Government"]

[FBIS Translated Text]

[Sarmakeshyan] Mr. Sagatelyan, ecological problems are constantly at the center of attention, and they are not diminishing in urgency. Perhaps they are simply insolvable?

[Sagatelyan] The very concept of the environment includes nature surrounding man, which offers him possibilities for life and development. Realizing that, who are we protecting it against? It turns out, against ourselves. The essence of that problem lies in this paradox. Society pays for industrial and social development with the health of its members. Ecological problems concern everyone; that is why their urgency makes it possible to manipulate the consciousness of various strata of the population. During periods of unrest and political upheavals, politicians, populists, and plain traitors pursuing their goals often speculate in ecological problems.

[Sarmakeshyan] We have become quite convinced of that in the case of Armenia.

[Sagatelyan] Absolutely correct. After all, prior to the disintegration of the Soviet Union, Armenia was the most highly industrialized and energy supplied republic of the region. As a result of the "ecological" games of our industry and economy, there was damage similar to what would be caused by a powerful enemy missile attack. There is no doubt that in this case the targets subject to destruction were the same. As a result the economy of Armenia reached a catastrophic state, while ecological problems, naturally, became even more aggravated. The extreme situation conditioned the reevaluation of values in one's consciousness. Today what is most important is to survive at any price. The agonizing situation in the areas of Pni and Sevan are far from all the damage that has been caused to nature.

[Sarmakeshyan] In other words the ecological situation remains critical?

[Sagatelyan] The situation is very complicated. The danger consists of the fact that functions of executive structures, connected with protection of the environment and use of nature, do not correspond to the models of a market economy being formed in the republic. New realities require radically new approaches. A vivid example of what is taking place is reflected in the information published in the RESPUBLIKA ARMENIYA, which reported that in connection with the police prohibiting whitefish fishing, its cost increased to 400 drams per fish. The same is taking place in other spheres as well. Everything boils down to the elementary market formula: commodity (that is the function) equals money.

[Sarmakeshyan] What can be done?

[Sagatelyan] It is time to realize that without literate management of the nation's natural resources, we will be unable to ensure sovereignty of the nation. In the shortest possible time it is necessary to work out a national strategy for managing natural resources, the basis of which consists of the compensation principle. So far we are using that principle in a spontaneous manner: if there is no kerosene, we chop down trees; if there is no gas, we increase the outflow of water from Sevan. The consequences are evident. Government strategy must be based on a balanced relationship of renewable and nonrenewable natural resources. It is necessary to concentrate in the hands of a single agency all functions of executive power which relate to the consumption of natural resources and the use of nature. Purposeful scientific-technical programs are needed, resting on problem-oriented data bases, differentiated among the various types of resources, and suited to the administrative regions. An appropriate legislative base must become the most important link in comprehensive management of natural resources. Our center worked out original approaches based on the regulation of natural resources by individual management subjects proceeding from the fact that any resource is a mutually related link in the ecological system. The right of individual management subjects to mutual control and the demand for reimbursement of losses must be based on this. In that manner we are getting rid of a controlling apparatus.

[Sarmakeshyan] You are running for parliament from the Azgain Petutyun Party. Is that part of the program of your party?

[Sagatelyan] The very name of the party suggests that the building of a state meeting the interests of the nation is its main task. I see no alternative to that idea in the historical perspective facing our people. The resolution of ecological problems as a mandatory condition for stable development enters the circle of priority interests of the nation. Unfortunately neither natural nor intellectual resources of our republic are receiving adequate realization. Our party has many specialists who are capable of working out development programs at

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any level. Acquiring the levers of political power, we will be able to realize these possibilities. Following the interests of the people first of all, however, we are prepared to offer professional assistance to any government in the constructive resolution of the ecological problem of our republic.

Azerbaijan

*Changes In People's Front Platform Proposed

954K0604A Baku AZADLYG in Azeri 18 Feb 95 p 4

[Article by Huseynbala Selimov: "Will The Azerbaijan People's Front Change?"]

[FBIS Translated Text] ...In any event I hope so...It is a pity that up until now there has only been one indication that there have been changes in the APF [Azerbaijan Peoples Front]—size: at various times various wings have separated from the organization and, as a rule, such "partings" have not been the result of deep ideological differences; more often there has been disagreement over tactics. And though it seems strange, this organization resembles Kerr's "black hole:" as a body falling into a "black hole" emerges into the ergosphere with greater energy that before, so do wings breaking off from this organization profit from it, then "depart."...Therefore, we are reproaching no one because they great majority of those who depart are those who built this organization and thus have the right to profit from it...They came and they went, but one question remains: when will this organization itself be changed? This perpetual question in sometimes more important than at other times. And now that this question has become actual again, we must relate it to searches coming from with the organization, and not with some kind of "external force" or appropriateness...

If the discussion is about basic reforms in the APF, two basic directions should be stressed:

—Renewal of the APF's organizational structure and legal status.

—Renewal of the organization's program—its ideological support.

Let us begin with the first. Customarily, two aspects of the "status question" are confronted:

—legal,

—political.

It is natural that one could have a broad discussion around these two topics alone. Converting the APF to a political organization, a party would not weaken its capability for struggle, nor would it be to say that it should refrain from definite claims. On the contrary, becoming a political party has definite advantages and we will discuss these at the end of this article. The last word lies within the organization—the author of these lines can only express his opinion and say that he favors it becoming a party. For this reason, it is more relevant to direct attention to a second question—to its program because here it is possible to make certain assurances; since I am the basic author of the draft program I can guarantee the conceptualization of the program and the actuality of the assertions within the program. You may believe that in both cases—either the APF's conversion to a party or its maintaining its present status, it is still necessary to renew the program.

What is the general philosophy, the basic line of the draft program? The supremacy and inviolability of the rights of man! Man's freedom! The development of a society of citizens, the security and progress of the State!

Let us examine the structure of the draft in order to make it clear; the program consists of six sections:

—Introduction;

—Problems of independence, territorial integrity, peace, security and cooperation;

—Problems of the state concerning man, civil society and a state of law (this section consists of three paragraphs: "Man," "Civil Society," and "A Democratic State of Law");

—The integrity of Azerbaijan's society and people;

—Humanitarian policy;

—Economics.

In my opinion, in order to create a sketch of this, we have to take three principles into consideration. For example, in the section "Independence, territorial integrity, peace, security and problems of cooperation"

1. The spirit of the concept of security (at all levels and with all its structural elements) will be felt!

2. the objective, basic principles ("systematization," "multidirectionality") and basic directions of a foreign policy based on the security of the entire state will be defined.

The basic assertions f the first paragraph of the second section are sufficient to get a concept of the general spirit of the draft:

—The greatest resource of Azerbaijan is man—a citizen of Azerbaijan,

—Every individual from the instant of birth is free and equal,

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—Every person has basic rights: Liberty, Security, etc.

—The rights and freedoms of every person are limited by the rights and freedoms of every other person.

—In times of peace, when there is no war or natural catastrophe, human rights are higher than the rights of the nation, the state and all other collective rights.

In the draft the concept of "the integrity of the people of Azerbaijan" is approached from two directions:

—Northern Azerbaijan,

—Southern Azerbaijan

and the position of the APF on Southern Azerbaijan will be publicized. This section is characterized by the effort to approach and analyze certain claims that hold a prominent place in the history of our social and political thought. In the "Humanitarian policy" section three basic principles are stated:

—the spiritual purity of man and society,

—the physical health of man and society,

—the cultural progress of man and society.

One could extend this introduction to the draft but there is no need to. The draft is being discussed by the program commission headed by E. Kerimov, deputy chairman of the APF on political questions, and its assertions are being honed. In brief, work on the draft is being continued.

Let us turn our talk back to the beginning—the party question...It has often been written that a political organization is an institution, and thus should represent the qualities special to a social institution:

—There must be a system of common "values," and "views" (ideological discussions...),

—internal organizational roles must be divided, and a harmonious and steady hierarchy must be built, and no one should fear the word 'hierarchy'—democracy does not preclude a hierarchy, it merely shows the way to create and just and stable hierarchy,

—functional relationships must be built up,

—there must be a mechanism for sanctions as well as for encouragement and providing incentives.

Other than these, in my opinion,

—we must differentiate between members of the political organization, partisans in the organization and the electorate! A member of a political organization does not depend on his role within the organization, but a professional is engaged in policy;

—One cannot accept a person who cannot state one or two principles of democracy as a member of a democratic organization! We have to define the minimum level of political education for each party member! We would add that members of a political organization must be assured of uninterrupted training...

Will the APF turn into a party or not? I do not know, but it is possible to say what will happen if it does turn into an party, and what will happen if it remains as it is...in other words, if it turns into a party it will become an organization, and if it does not, it will be as it always was.

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Latvia

Economists, Democrats to Form Coalition

954K0615A Riga DIENA in Latvian 27 May 95 p 3

[Article by Nelija Locmele: "Economists Political Union Accepts Coalition and Unity with Democratic Party 'Landlord'"]

[FBIS Translated Text] Riga, May 26. At the Second Congress, on Friday, the Economists Political Union (EPU) unanimously accepted the decision to form a pre-election coalition with the Democratic Party "Landlord" (DPL) before July 1, and, after the election, to unite into a party with a social-liberal direction. Stressing that the Latvian Way (LW) and EPU government must be preserved until the autumn, LW has proposed that both parties, already before the election, agree on a candidate for the Minister of Agriculture of the next government. EPU rejected the program proposing that the election of the President take place by participation of all the people, and reelected Edvins Kide as party chairman.

"Since I am not readily able to understand whether your party is the ruling party or the opposition, this should be clearly stated today," urged the nation's President, in his address to the congress. LW and EPU have agreed to continue productive activities in government until the election, regardless of preelection associations with other parties. LW faction leader Andrejs Pantelejevs expressed hope that the new EPU colleagues would also respect the responsibility placed upon the "economists" by belonging to the government. E. Kide continued to view the association with LW as a politically correct step, although it no longer produced results — due to unwillingness (pressure on the government by LW liberals), and inability (a lack of funds in the state budget), LW is not fulfilling the promises it made to support agriculture. A. Pantelejevs admitted that this inability to fulfill its promises is painful to LW as well, but, "thank God that our coalition does not function the way it may seem to, as portrayed in the articles by Ojars Kehirs or Ojars Skudra in the newspapers", said A. Pantelejevs. In turn, EPU faction consultant O. Skudra again pointed out the differences in viewpoints within LW, urging the "Way" to select a social-liberal agricultural policy, since, in the opposite case, EPU will be unable to simultaneously belong to the government and the coalition with DPL. O. Skudra invited recognition of the fact that the Sixth Saeima government has only two options — a liberal conservative coalition (LNIM, LFU and LW) or social liberal (DPL, EPU, TSP and LW), and EPU must become the organizer and "motor" of the latter.

At present, EPU has nominated 46 candidates for Saeima deputy, including Saeima deputies and present day ministers, although the administration will have to come to an agreement with DPL on how many candidates will actually represent EPU in the coalition list.

The EPU congress was unique in that most of it was taken up by speeches by guests. Alberts Kauls, however, did not attend, although he had been invited.

Photo caption: Parties led by Edvins Kide and Ziedonis Cevers have decided to join in a coalition.

Equal Rights Faction Opposes Election Law

954K0615B Riga NEATKARIGA CINA in Latvian 30 May 95 p 1

[Article by Gundega Varpa: "Equal Rights to Ask President Not to Declare the Election Law"]

[FBIS Translated Text] **The Saeima faction, Equal Rights, in today's visit with the nation's President, Guntis Ulmanis, has decided to ask him not to declare the election law passed by the Saeima last Thursday.**

In the opinion of *Equal Rights*, the part of the election law defining restrictions on candidacy is a violation of the Satversme, since itand does not allow every citizen of Latvia, with full rights, who is over 21 years of age, be elected to the Saeima.former LSSR Communist Party leader, Alfreds Rubiks, who was elected to the

As we know, the election law includes the qualification proposed by *Fatherland and Freedom*, which prohibits candidacy and election to the Saeima of persons who, after January 14, 1991, were active in the Communistof the Equal Rights faction, Larisa Lavina, expressed her opinion to "Neatkariga Cina", that members of formerly legal organizations should not be denied participation in today's processes. Otherwise, the mentioned restriction would have a backward-reaching effect.

The Communist Party's activities were ended in the territory of the Republic of Latvia only after the August 1991 putsch.

According to Satversme's regulations, the President of the nation must declare a law not earlier than seven days and not later than 21 days after it has been adopted by the Saeima. June first is the last day that the nation's President can request the law to be reviewed for a second time by the Saeima.

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***First Quarter Foreign Trade Statistics**

954K0615C Riga DIENA (SAEIMA MINISTRU KABINETA) in Latvian 24 May 95 p 10

[Article by State Statistics Committee: "Latvia's Foreign Trade in the First Quarter of 1995"]

[FBIS Translated Text] The volume of foreign trade in the first quarter of 1995, in comparison with the fourth quarter of last year, has grown. Export of goods has reached 162.2 million lats, which is 4.7 percent higher than in the fourth quarter of last year, while the total volume of imports has increased by 4.4 percent, and in January through March of this year, its value was 210.2 million lats. The difference between the export and import total values has increased. While in the fourth quarter of last year, imports were higher than exports by 46.5 million lats, this difference in the first quarter of 1995 reached 48.0 million lats.

Latvia's most important trade partners were the European Union and the CIS nations. It should be noted that the proportion of exports to the nations of the European Union has increased—from 43.4 percent in the fourth quarter of last year to 44.7 percent in the first quarter of 1995, while the importance of the CIS nations has declined—from 41.6 percent to 39.2 percent, respectively. In turn, there has been no basic change in the proportion of imports from the European Union and CIS nations in comparison with the fourth quarter of last year, and in the first three months of this year, 47.0 percent of goods were brought in from the European Union, and 31.0 percent from the CIS nations.

Export and import breakdowns according to groups of goods are reflected by the following table:

(in thousand Ls; FOB prices)

	Exports		Imports	
	4th quarter of 1994	1st quarter of 1995	4th quarter of 1994	1st quarter of 1995
Total	154,944	162,200	201,420	210,224
including the groups of goods:				
Livestock and livestock production	6,292	8,042	3,467	3,307
Vegetable kingdom products	1,926	1,129	4,903	7,085
Fats and oils	137	252	910	1,495
Manufactured food products (including alcoholic and nonalcoholic beverages and tobacco)	13,374	13,942	8,972	8,362
Mineral products*	3,024	4,357	50,381	55,737
Chemical manufacturing and its related industry production	9,676	9,976	21,909	24,006
Plastics and articles from the same; rubber and elastic articles	1,338	2,286	7,151	6,782
Rawhide, leather, furs and articles from the same	4,171	2,531	1,100	683
Wood and articles from the same	33,854	43,335	1,224	2,156
Wood paper pulp; paper, and cardboard	1,776	1,678	7,561	8,712

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	Exports		Imports	
Textile materials and textile articles	20,471	22,665	16,169	15,424
Footwear, headgear, umbrellas and other articles	2,046	1,273	2,188	1,408
Stone, plaster, cement, glass, ceramic articles	2,071	2,873	3,089	3,119
Precious stones and semi-precious stones, precious metals, common metals plated with precious metals, and articles from the same	255	124	112	146
Common metals and articles from the same	13,991	12,089	11,691	10,839
Mechanical and electrical machines and equipment	15,828	14,437	33,536	3[illegible],650
Transportation vehicles	13,639	12,094	13,676	14,654
Optical equipment and apparatus (including medical); timepieces, musical instruments	559	888	4,942	5,226
Firearms and ammunition	35	46	304	280
Various manufactured goods	6,754	8,131	4,663	4,055
Art and antiques	2	-	1	6
Other goods	3,725	52	3,471	92

*Goods in this group include valuable mined products, oil and products of its refining, natural gas, electrical power.

During the first three months of this year, a significant position in Latvia's exports was occupied by wood and articles from the same—its proportion in the total value of exports was 26.7 percent, textile materials and textile articles—14.0 percent, respectively, mechanical and electrical machines and equipment—8.9 percent, manufactured food products—8.6 percent, transportation vehicles—7.5 percent.

In the first quarter of 1995, there was a striking increase in the export of wood and articles from the same. In comparison with the first quarter of 1994, the increase was 9.5 million lats. There was also a significant increase in the exported volume of textile materials and textile articles—by 2.2 million lats, respectively, and in the export of livestock and livestock production—by 1.8 million lats. At the same time, there was a significant decrease in the export of the following goods: the export of metals and articles of the same, in comparison with the fourth quarter of last year, decreased by 1.9 million lats, rawhide, leather, furs and articles from the same—by 1.6 million lats, respectively, transportation vehicles—by 1.5 million lats.

A significant position in **imports** from January through March, 1995 was occupied by mineral products—its proportion of the total value amounted to 26.5 percent, mechanical and electrical machines and equipment—17.4 percent, respectively, chemical manufacturing and its related industry production—11.4 percent, textile materials and textile articles—7.3 percent, transportation vehicles—7.0 percent.

In the comparison of January through March, 1995 with the fourth quarter of last year, mineral product imports into Latvia increased the most. The increase in these goods amounted to 5.4 millon lats. Likewise, there was a striking increase in the import of mechanical and electrical machines and equipment—by 3.1 million lats, respectively, and in vegetable kingdom products—by 2.2 million lats. In addition, in the first three months of this year, as compared with the fourth quarter of last

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year, there was a decrease in imports into Latvia, by 0.9 million lats for metals and articles from the same, by 0.8 million lats—for textile materials and textile articles, by 0.8 million lats—for footwear, headgear, umbrellas and other article.

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